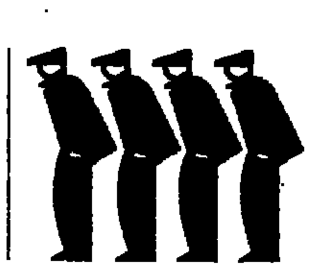
FINANCIAL TIMES

Turkey
Seeking solace in Washington
Page 2

EU telecoms
Fierce fight in prospect
Page 3

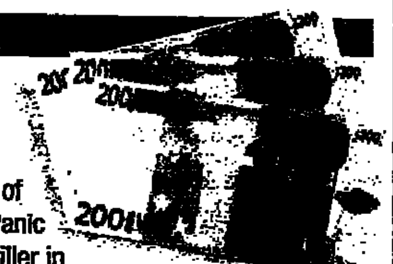


US employment
Big lay-offs blight the boom
Page 15

FT WEEKEND
More champagne? Not for much longer
TOMORROW

World Business Newspaper http://www.FT.com FRIDAY DECEMBER 19 1997

The Year Zero



The Asian tigers want revenge. But who or what should they target? Paul Erdman, acclaimed author of The Crash of '79 and The Panic of '89, starts a two-part thriller in tomorrow's Weekend FT that leads to the cataclysm of '98.

WORLD NEWS

Russia hints it may halt sale of missiles to Greek Cypriots

Russia has signalled it is ready to halt the sale of S-300 anti-aircraft missiles to the Greek Cypriot government in return for financial compensation, it was being said within Nato. Russian foreign minister Yevgeny Primakov is said to have passed the message during a visit to Nato headquarters in Brussels. Page 16

New French immigration rules
France's National Assembly has narrowly approved immigration law changes are aimed at improving conditions for people entering and working in France. Page 2

Italy anti-trust chief named
Italy has made a surprise choice to head its anti-trust authority, picking Giuseppe Tesauro, advocate-general at the European Court in Luxembourg. Page 2

$500m pledge for lab
The US has promised $500m to build the world's most powerful atom-smasher at Geneva's European Particle Physics Lab. Page 6

Brussels overhauls aid rules
The European Commission is overhauling its regional state aid policy in a bid to focus grants on those regions most needing help. Page 2

Spain risks shipyard clash
Spain's centre-right government is risking a head-on clash with unions by starting to privatise state-owned shipyards. Page 2

Cancer drug tests
MPIF-1, a drug developed from the international Human Genome Project, is to be tested on cancer patients next month. Page 6

Gene rules rejected
Brussels has failed to win approval from member states for rules on labelling genetically modified soya and maize. Page 2

Greek unions strike
Greek trade unions have staged a one-day general strike in protest at the Socialist government's restrictive wage policy. Page 2

Japan growth prediction
Japan's overseas sales are the key to what little economic growth the country may achieve this fiscal year, says Japan's Economic Planning Agency. Page 4

US troops stay in Bosnia
President Clinton said American troops will remain in Bosnia past his original withdrawal date of June 1998. Page 2

Albright talks stalled
US secretary of state Madeleine Albright has failed to secure a timetable for an Israeli troop withdrawal from the West Bank. Page 6

Tokyo air slot plan
A plan to allot US airlines extra slots at Tokyo's international airport is being considered as a way of breaking the impasse in US-Japan aviation talks. Page 8

Silent night
Christmas Eve will be even quieter than usual in Steigen, a small town in northern Norway, after new noise regulations made it illegal to ring in the holiday with church bells.

BUSINESS NEWS

Wal-Mart moves into Europe with purchase of Wertkauf chain

Wal-Mart Stores, the world's biggest retailer, yesterday established a beachhead for an attack on the European retail market by announcing an agreement to buy Germany's Wertkauf hypermarket chain for an undisclosed sum. Page 17; Editorial Comment, Page 15; Lex, Page 16

VNU, the Dutch publisher, is to pay $2.1bn for ITT World Directories, producer of alphabetical and yellow pages telephone books in markets ranging from the Benelux countries to Japan. Page 17

Japan's trade surplus with the US, long the cause of trade friction, showed a year-on-year rise of 28 per cent last month to Y488bn ($3.8bn). Exports to Asia fell by 1.9 per cent as demand was squeezed by the region's economic crisis. Page 16

Spain paid Pta50bn ($333m) to buy a controlling stake in Ebro, its biggest sugar producer, from the Kuwait Investment Office, paving the way for restructuring Spain's sugar sector. Page 20

Moulinex, the French household appliance group, reported first-half results showing net attributable profits of FFr21m ($3.54m) to September 30, against a loss of FFr74m for the period in 1996. Page 20

J.P. Morgan, the US investment bank, admitted breaking a London Stock Exchange rule against manipulating the market index and agreed to pay a fine of £350,000 ($577,500). Page 10;

El Al, Israel's state airline, was set to choose between Boeing of the US and Airbus of Europe for the supply of five jets in a deal worth about $200m. Page 8

World trade grew by 7 per cent compared with 5 per cent in 1996, propelled by activity in North and South America and recovery in western Europe, the World Trade Organisation said. Page 8

Andersen Consulting could, in theory, face a $9bn claim under contractual stipulations as the price of becoming an independent firm with no legal obligations to Arthur Andersen or Andersen Worldwide group. Page 18

Telia, the Swedish state telecommunications company, is joining forces with EniTel of Norway to integrate North Sea oil and gas platforms into a new fibre-optic network linking Scandinavia and the UK. Page 8

Hyundai, the Korean electronics group, confirmed that its big factory investment in central Scotland would be delayed for up to a year. Page 10

Equitas, which last year took responsibility for old losses from Lloyd's of London, has agreed a £600m ($990m) deal with the insurance market to reinsure additional liabilities. Page 10

ING Bank of the Netherlands decided against taking a 10 per cent stake in Siam City Bank after the Thai commercial bank failed to raise agreed capital from its shareholders. Page 19

Daimler-Benz delays second new car over safety fears

German carmaker's reputation hit as the Smart fails 'elk test'

By Haig Simonian, Motor Industry Correspondent

Daimler-Benz of Germany yesterday suffered a second severe blow to its reputation and finances after admitting its new Smart urban car would be delayed for six months to rectify safety and production problems.

The admission comes weeks after the radical A Class hatchback had to be withdrawn after rolling over in "elk tests", designed to examine high-speed manoeuvres. It raises doubts about product development and management at Europe's leading luxury carmaker.

Daimler-Benz said the Smart, developed as a joint venture between its Mercedes-Benz subsidiary and Switzerland's SMH watches group, would be delayed following a "quality audit".

Nicolas Hayek, chairman of SMH, admitted the Smart had failed the elk test under "very extreme conditions".

Daimler said further driving tests were necessary to ensure the Smart's "driving dynamic and stability" in the light of tougher testing standards.

Micro Compact Car, the joint venture behind the vehicle, which is 81 per cent owned by Mercedes-Benz, said the delay would cost DM300m ($168m) in 1997 and 1998. MCC expects to build 200,000 Smarts a year.

Daimler-Benz said it made routine provisions for unexpected product hitches and would try to

The Smart car: facing safety and production problems

account for the bulk of Smart's difficulties in this year's figures.

The company still expected profits and sales to rise sharply. It said buoyant US car sales and an improvement in trucks would compensate for the delay.

Daimler-Benz is expected to report a sharp improvement in 1997 net profits on sales of around DM120bn. In 1996, the company made DM2.76bn after tax on sales of nearly DM106bn. Daimler-Benz shares closed yesterday down DM2.60 at DM124.

However, the full impact of the Smart's problems may take some time to be felt. Apart from costs of capital and wage bills, MCC is believed to have risk-sharing and performance guarantees with the component companies that have worked as "system partners" on the project.

MCC may also incur liabilities from dealers who have built "smart centre" showrooms across Europe. The company said about half its planned 100 dealerships would have been ready for the original March 1998 launch.

Daimler-Benz blamed MCC for the problems. It said the company, managed from SMH's home town of Biel in Switzerland, with engineering development at Renningen in southern Germany, had not informed Daimler-Benz of the depth of its difficulties. Johann Tomforde, MCC's head of development, is being moved.

Daimler-Benz said it only became aware of the problems when Jürgen Schrempp, chairman, ordered the quality audit after the A Class fiasco.

After the elk test, engineers modified the suspension and tyres and installed an electronic stability system. For the Smart, the lateral distance between the wheels is likely to be increased.

Daimler-Benz said the Smart delay also stemmed from problems with suppliers.

Lex, Page 16

New president elected in S Korea

Victory smiles: South Korean opposition leader Kim Dae-jung, who secured a narrow victory in yesterday's presidential election, is applauded by officials at his party headquarters in Seoul yesterday. Mr Kim, 74, was making his fourth bid for the presidency since 1971 and benefited in the election from public anger against the government for the nation's economic crisis. Report, Page 16 Picture Reuters

Dresdner investment chief resigns after tax evasion

Departure leaves void at London investment bank

By Andrew Fisher in Frankfurt

Dresdner Bank, Germany's second-biggest bank, suffered a further blow yesterday with the resignation of Hansgeorg Hofmann as head of its investment banking operation after he had admitted tax evasion.

The bank has been hit recently by a series of enforced resignations that have damaged its image and harmed employee morale.

Mr Hofmann's departure leaves a void for the second time this year at the top of Dresdner Kleinwort Benson, which the bank has been trying to build up into a global investment banking business.

The London-based investment bank was hit earlier this year by the resignation of Simon Robertson as executive chairman over management tensions between London and Frankfurt, and by the departure of David Clementi, who was vice-chairman, to become a deputy governor of the Bank of England.

Mr Hofmann, 54, was seen as one of the few Dresdner executives capable of healing the rift between Frankfurt and the London investment bankers. But his position became untenable this week when Klaus Carlin, an employee representative on Dresdner's non-executive supervisory board, called publicly for his resignation. Mr Carlin said that for Mr Hofmann to continue heading Dresdner Kleinwort Benson, the investment bank, would be "extremely questionable morally".

Kleinwort bankers said they felt insulted that the bank had claimed it transferred him to London in November to concentrate on Kleinwort business. After details of his tax affairs appeared in Der Spiegel, the weekly magazine, last weekend, Dresdner admitted the reason for the move was his tax situation.

Dresdner reorganised the management of the investment bank this year under Mr Hofmann, with Gerd Häusler as his deputy. Mr Häusler, 46, who joined the Dresdner board in 1996 after being a Bundesbank director, will take over Mr Hofmann's responsibilities.

The move will enhance Mr Häusler's status at Dresdner, where he has also been responsible for the Asia-Pacific region. His increased role at the investment bank comes at a time of growing consolidation in the sector and intense pressure on profitability.

Mr Hofmann's downfall is one in a series that has rocked Dresdner in recent months. Jürgen Sarrazin, the chairman, announced in September that he would retire next May, but he has just brought forward his departure to December 31. Two other senior figures have left over alleged tax irregularities. Wolfgang Röller resigned in September as head of the supervisory board over allegations of tax evasion, which he denies. Mr Hans-Günther Adenauer then left the management board over his tax affairs.

Lex, Page 16

Panama Canal ships to feel effects of El Niño

By James Wilson in Panama City

The El Niño weather phenomenon is draining the Panama Canal, forcing authorities to propose depth restrictions on ships for the first time since 1984, when El Niño last struck with similar intensity.

A drought in Panama caused by El Niño is drying out the lakes which feed the canal, the only waterway between the Pacific and Atlantic oceans. Each time the canal is used, 200m litres of fresh water drain into the sea.

Restrictions on access to the canal are likely from February, which could have serious repercussions for trade and shipping.

The Panama Canal Commission, which runs the waterway, has said it expects to reduce by six inches (15cm) to 39ft the permitted draught – the depth in the water – for vessels using the canal. Vessels will have to reduce cargo loads to meet the stricter limit.

Roy Newall, of shipping agents C. Fernie in the Panamanian port of Cristóbal, said: "It is going to be a long, hard dry season, and I think it could come down to 38 or 36ft – then you start hitting a whole new lot of ships. All the big container ships are probably drawing 36 or 37ft, so they become affected."

Continued on Page 14

Markets

STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av	7,902.20	(–55.21)
NASDAQ Composite	1,527.31	(–20.06)
Europe and Far East		
CAC40	2,884.60	(+1.25)
DAX	4,166.24	(+7.56)
FTSE 100	5,168.3	(–22.5)
Nikkei	16,161.64	(-379.42)

US LUNCHTIME RATES

Federal Funds	5.68%
3-mth Treas Bills: Yld	5.239%
Long Bond	102¼
Yield	5.905%

OTHER RATES

UK: 3-mo Interbank	7⅝%	(7⅝%)
UK: 10 yr Gilt	106.9497	(106.988)
France: 10 yr OAT	101.8679	(101.937)
Germany: 10 yr Bond	105.3966	(105.446)
Japan: 10 yr JGB	109.3934	(109.443)

NORTH SEA OIL (Argus)

Brent Dated	$17.25	(16.96)

GOLD

New York: Comex		
(Dec)	$287.2	(289.1)
London:		
	$288.65	(287.95)

EXCHANGE RATES

Dollar		
New York: lunchtime		
£	1.663	
DM	1.779	
FFr	5.9545	
SFr	1.4411	
Y	129.325	
London:		
£	1.6607	(1.6490)
DM	1.7725	(1.7718)
FFr	5.9345	(5.9324)
SFr	1.4363	(1.436)
Y	128.395	(127.30)
Tokyo close:		Y 127.45
Sterling		
DM	2.9436	(2.9163)

© THE FINANCIAL TIMES LIMITED 1997 No.33,478
London · Leeds · Paris · Frankfurt · Stockholm · Madrid · New York
Los Angeles · Tokyo · Hong Kong

Inside

COMMENT & ANALYSIS

- WTO sees 7% growth
World Trade News, Page 8
- US Army's example on race
Editorial, Page 15
- Kenyan opposition flounders
International News, Page 6
- Petrochemicals in China
Asia Company News, Page 19

TECHNOLOGY

- Smart cards on the Underground
Technology, Page 11
- Lunch at the office cybercafé
Technology, Page 11

Transport 'smart cards' may soon replace train tickets Page 11

- Wal-Mart's European ambitions
Lex, Page 16

FINANCE

- Dealmakers in demand in Asia
Peter Montagnon, Page 14

EMERGING MARKETS

- Russian bulls start to emerge
World Stock Markets, Page 38
- Highlights at a glance
Global Equity Markets, Page 37

NEWS: EUROPE

Commission to reconsider regional aid

By Emma Tucker in Brussels

The European Commission has announced an overhaul of its regional state aid policy in an effort to focus grants more tightly on those regions of the European Union most in need of economic help.

Alarmed at rising levels of state aid, particularly in wealthy countries such as France and Germany, Brussels intends to cut the ceilings up to which regional state aid can be paid by the 15 member-states.

It will also redraw the state aid map to reduce the percentage of the total EU population living in targeted areas from 46.7 per cent to 42.7 per cent.

"This means that in virtually all member-states it will be necessary to reduce the regions in which it is possible to give state aid," said Karel Van Miert, the competition commissioner.

The recommendations – which do not have to be approved by the member-states – are likely to be unpopular, particularly in peripheral countries such as Ireland and Spain where governments can provide up to 75 per cent of an investment. But Brussels believes reform is urgently needed before EU expansion, when much less developed economies will be admitted into the club.

The maximum government aid for any region will be cut from 75 per cent to 50 per cent, with an exception for peripheral areas where it could be 60 per cent. The most common ceiling of 25 per cent will be reduced to 20 per cent.

Member-states will be asked to redraw their own maps and to submit them to the Commission in time to adopt the new strategy on January 1, 2000.

Brussels also wants to reduce the amount of regional aid used for capital-intensive investments and to refocus it on job creation. In future, aid destined for sectors in decline, where few jobs are likely to be created, will be subjected to much tougher tests.

Mr Van Miert also joined forces with Monika Wulf-Mathies, the commissioner for regional policy, to bring greater coherence to the distribution of regional state aid and the structural funds – money distributed centrally by the Commission to less developed regions.

At present, aid is spread too thinly across too great a percentage of the EU population. While the percentage eligible for funding under national state aid schemes will be cut from 46.7 per cent to 42.7 per cent, structural funds will only cover 35-40 per cent of the population.

Mr Van Miert's new strategy includes an insistence that investments and jobs that receive aid must be maintained in the benefiting region for at least five years.

The measure is designed to stop "subsidy shopping" by companies. Earlier this year Renault, the French carmaker, was criticised for closing its profitable operations in northern Belgium while expanding activities in Spain.

Washington set to soothe Turkey's wounded pride

John Barham on Ankara's hurt feelings at its treatment by the EU and fellow Islamic states

After the pummelling Turkey has received in international forums in recent weeks, Mesut Yilmaz, Turkish prime minister, can look forward to a friendly reception when he meets Bill Clinton at the White House today.

Unlike Turkey's European neighbours and its co-religionists in the Moslem world, the US president will be ready to soothe his guest's wounded pride with praise and kind words.

"If you look at the size of the country, if you look at its geo-strategic significance, what it could block and what it could open the doors to, it is terribly important," Mr Clinton said earlier this week.

Such words contrast with what Turkey perceives as the hostility or condescension of some European leaders. Jean-Claude Juncker, Luxembourg prime minister, who has held the European Union's rotating presidency for the past six months, declared that a country which practised torture could not sit down at the EU table.

On Wednesday, Mr Yilmaz vowed to scrap Turkey's bid to join the EU if European leaders refused to grant it equal status with 11 other applicants, mostly from central and eastern Europe. He accused the EU of being a "Christian club" that discriminated against Moslem Turkey.

One week earlier, Süleyman Demirel, Turkey's president, stormed out of an Organisation of the Islamic Conference summit in Tehran after it passed a resolution attacking Turkey's military co-operation with Israel.

Alan Makovsky, a Turkey expert at the Washington Institute on Near East Policy, said: "Washington sees itself as Turkey's best friend, but shares many of the same concerns as Europe. But the human rights view is balanced by Turkey as a security asset".

Yilmaz: vowed to scrap bid

The US values Turkey as a secular, pro-western country which serves as a crucial link between some of the world's most troubled regions: the Aegean, Balkans, Middle East, Gulf and central Asia. Instability in Turkey could threaten delicate political, economic and security arrangements in all these areas.

"Turkey has increasingly become the centrepiece for American strategic interests in a very dangerous neighbourhood. Turkey is critical to the security and stability of Europe," said Richard Holbrooke, Mr Clinton's foreign policy trouble-shooter.

A co-operative Turkey helps US implement policy towards Iraq and Iran. The two countries share similar views on developing the Caspian and central Asian oilfields and agree their oil and gas exports should be piped to a Turkish Mediterranean oil terminal. Washington supports Turkey's blossoming relationship with Israel.

However, Mr Yilmaz will probably have to face some tough questioning on a range of issues, starting with human rights and discrimination against the Kurdish minority.

The US may expect Ankara to help settle the decade-old dispute over Nagorno-Karabakh between Armenia, which has support in the US Congress, and Turkey's oil-rich ally, Azerbaijan.

A secular and democratic Turkey is clearly Washington's strong preference. Still, the US does not want to see the Turkish supreme court close down the Islamist Welfare party, Turkey's largest, for allegedly conspiring against the secular order.

The court may announce before the end of the year a verdict proscribing Welfare and its leaders. In anticipation of this, a new Islamist party called Virtue has been launched, apparently on the initiative of Welfare leaders.

Mr Clinton, who says he wants "a resolution of the Cyprus issue very badly", will demand Turkish support to reunite the island, divided since Turkey's 1974 invasion.

Turkey has said it will integrate the Turkish Cypriot enclave into the mainland in retaliation for the EU's decision to open membership talks with the internationally recognised Greek Cypriot government.

Mr Clinton has said he expects Turkey and Greece, ancestral enemies and nominal Nato allies, to bury their "irrational" differences.

Washington is working on a formula to avert a promised Turkish attack to prevent installation by next summer of air defence missiles by the Greek Cypriot government.

The president is likely to ask Mr Yilmaz to reconsider his promise to withdraw Turkey's EU membership application and attend a London conference of present and future EU members next year. Mr Yilmaz has said he will stay away.

US officials are troubled by the unravelling of Turkish economic policy. A key reformist technocrat resigned in frustration at government indecision two weeks ago, making it considerably more difficult to forge a coherent strategy to tackle inflation of nearly 100 per cent.

Washington would help secure International Monetary Fund support for economic reform, if only Turkey could formulate such a policy.

Mr Yilmaz and his ministers, who have announced, then retracted nearly half a dozen reform policies in the last three months, are hoping an IMF deal will somehow unlock $15bn in foreign loans to back public sector reform, stalled for a decade.

Yet little of the above is in Mr Yilmaz's gift. He heads a fragile minority coalition which includes two conservative and one left-wing party that can agree on little. Such a weak government can hardly be expected to reopen talks with Greece or ram through economic reforms.

NEWS DIGEST

Slovak bank under pressure

The Slovak banking system was plunged into crisis last night when the authorities said the country's third largest bank would be placed under forced administration because of growing liquidity problems. Depositors queued outside branches of the bank yesterday in an effort to withdraw their deposits as the Slovak government held a crisis meeting led by Vladimir Meciar, the prime minister.

In recent days, growing doubts about the financial viability of Investicna a Rozvojova Banka have led other domestic and foreign banks in Slovakia to stop lending to it in the short-term interbank market. IRB has been increasingly unable to fulfil commitments to its customers and to make requested payment transfers, a leading foreign banker said in Bratislava last night, amid reports that $100m had been withdrawn as the run on the bank continued. *Kevin Done, London*

■ HEALTH REPORTS

Mixed messages on Yeltsin

The Kremlin sent out mixed messages yesterday about the convalescence of Boris Yeltsin, the Russian president, deepening the confusion surrounding his health. Mr Yeltsin began the day on a robust note, appearing briefly on television to assure the nation that he felt "great" and would return to work today.

"Everything is all right with me. My illness was not related to any heart problems," the president said, speaking to a group of Russian journalists before a meeting at his sanatorium with Victor Chernomyrdin, prime minister. "I will leave here [the sanatorium] tomorrow." But just a few hours later, the president was contradicted by his own spokesman, who said Mr Yeltsin would stay in Barvikha, a sanatorium outside of Moscow.

He said the president was expected to stay there for the full 10- to 12-day period doctors prescribed when he first came down with what the Kremlin says is a "cold" on December 10. *Chrystia Freeland, Moscow*

■ EU PROPOSALS

Genetics rules not approved

The European Commission yesterday failed to win approval from member states for proposed rules on the labelling of genetically modified soya beans and maize, highlighting the controversial nature of the issue.

The Commission had hoped to implement the rules on February 1, but this now seems unlikely. It conceded there was "limited enthusiasm" yesterday among national representatives on a foodstuffs committee for its proposals, although the issue will be considered again in mid-January.

The Commission proposes that labelling should be compulsory if a food contains desoxyribose-nucleic acid (DNA) or genetically modified proteins.

If a product contains ingredients made from genetically modified soya or maize the words "produced from genetically modified soya or maize" must appear on a list of ingredients or be displayed prominently elsewhere on the labelling. Some states feel the tests are too onerous. *Michael Smith, Brussels*

■ PAY LIMIT PROTESTS

Unions strike in Greece

Greek trade unions staged a one-day general strike yesterday in protest at the Socialist government's restrictive wage policy, shutting down public transport in Athens and delaying flights by Olympic Airways, the state carrier.

The strike drew little response from private sector workers but affected state-controlled banks and government offices. It was timed to coincide with debate in parliament on next year's budget.

Ferry sailings to Italy and the Aegean Greek islands were delayed, as the Panhellenic Seamen's Union also supported the strike. But private banks stayed open, and stores in Athens were filled with Christmas shoppers.

The government has proposed a virtual pay freeze for public sector workers next year as it accelerates efforts to reach the inflation and budget deficit targets for joining the single European currency. *Kerin Hope, Athens*

■ CLINTON PLEDGE

US troops 'to stay in Bosnia'

President Bill Clinton said yesterday that American troops would remain in Bosnia past his original withdrawal date of June 1998. He set no new deadline for their pull-out. Highlighting the achievements made since the Dayton Peace agreement two years ago ended the war in Bosnia-Hercegovina, Mr Clinton said: "Progress is unmistakable, but it is not yet irreversible."

"If we pull out before the job is done, Bosnia will almost certainly fall back into violence, chaos and ultimately a war every bit as bloody as one that was stopped," he added. American troops now number 8,500. Mr Clinton called for the strengthening of the 2,000 strong, unarmed international police force.

Dutch members of the some 22,000-strong Nato-led Stabilisation Force yesterday arrested two Bosnian Croat suspects indicted for crimes committed against Moslems in April, 1993.

Of 78 indicted war criminals, the international tribunal has convicted and sentenced two suspects and 18 are in custody. The former Bosnian Serb leaders, Radovan Karadzic and General Ratko Mladic, remain at large. *Laura Silber, New York*

■ UKRAINIAN FLIGHT

Greeks seek lost airliner

Greece's defence ministry suspended at dusk yesterday a search for a missing Ukrainian airliner with at least 70 people on board. It had lost contact with Thessaloniki airport control tower shortly before it was due to land on Wednesday night. Officials said that about 2,000 troops would resume looking for the Russian-built Yakovlev-42 at dawn. The search centred on a remote mountainous area near Mt Olympus, but was hampered low cloud and snowy conditions.

The aircraft, operated by Airsweet, a Ukrainian-Israeli charter company, was on a flight from Kiev to Odessa and Thessaloniki. Civil aviation officials said the pilot was due to make a second attempt at landing in thick fog when radio contact was lost. *Kerin Hope, Athens*

■ SHOOTING DURING REVOLUTION

Romanian generals accused

Charges have been brought against two former senior Romanian generals accused of ordering the shooting of demonstrators during the 1989 revolution. If convicted of "aggravated murder", they could face life in prison.

Generals Victor Stanculescu and Mihai Chitac were respectively head of military industry and commander of the Bucharest garrison in the last year of Nicolae Ceausescu's Communist dictatorship. They are the first senior army figures charged with Communist-era crimes.

During the revolution, both men changed sides. Gen Chitac became interior minister and Gen Stanculescu was defence minister under the first post-Communist government. Gen Stanculescu was a member of the "jury" which executed Ceausescu and his wife, Elena. He is now a businessman and Romanian head of the British-based Balli trading group. *Anatol Lieven*

Spain risks clashes over shipyard sale

By David White in Madrid

Spain's centre-right government is taking the risk of a head-on clash with trade unions by starting to privatise state-owned shipyards, which in recent years have been a focus of violent labour conflict.

Four unions staged a one-day stoppage throughout the industry yesterday in protest at the plans.

The strike, which had been called in advance, coincided with news of a deal to sell the first of the shipyards, Hijos de J. Barreras, in the north-western port city of Vigo, to a consortium including its current managers and client companies.

The Pta750m ($5m) sale, provisionally agreed by the state industrial holding company, Sepi, is expected to receive cabinet approval on December 26. Two other groups were bidding for the company.

The winning consortium, headed by a shipping company, Odiel, and including another shipping operator and a cannery, is committed to maintaining jobs at the yard, which employs 370 people. It has also agreed to inject Pta450m in fresh capital within three months.

Josep Piqué, industry minister, said yesterday that the deal offered "all the necessary guarantees" for the future of the yard.

The Vigo facility, which specialises in building ferries, is considered one of the most viable of Spain's nine state-owned shipyards, although it is expected to show an operating loss this year of over Pta150m. Plans are understood to be well-advanced for the privatisation of Astander, a second yard in the northern port of Santander.

Both shipyards have become flashpoints for labour protests. On Wednesday, demonstrators in Vigo cut off traffic and invaded the local offices of Spain's ruling Popular party. A large demonstration was scheduled yesterday evening, with backing from some local PP politicians as well as opposition parties.

Spain's previous Socialist government backed away from plans to sell the two yards, along with another northern shipbuilder, Juliana, after fierce clashes in 1995.

As a result of the conflict, plans for restructuring the loss-making state shipbuilding sector were scaled back. The revised plan foresaw a reduction in total jobs from 10,000 to just over 6,000, bringing the number of job losses in Spain's shipyards since 1984 to some 22,000.

Italy's new anti-trust chief is Tesauro

By James Blitz in Rome

The Italian authorities have made a surprise choice for the new head of the country's anti-trust authority by picking Giuseppe Tesauro, advocate-general at the European Court in Luxembourg.

Mr Tesauro, 55, who will replace Giuliano Amato, outgoing anti-trust president, has been chosen by the heads of Italy's senate and chamber of deputies, in whose gift the appointment resides.

There had been strong indications that Romano Prodi, the prime minister, and Massimo D'Alema, head of the leading party in the ruling coalition, had originally wanted the job to go to a prominent constitutional lawyer.

Earlier this month, Mr Prodi and Mr D'Alema held a well-publicised meeting at which they are reported to have drawn up a list of names of people who would move into key regulatory jobs.

Under pressure from President Oscar Luigi Scalfaro they are understood to have suggested that the anti-trust job should go to Paolo Francesco Casavola, a Catholic who heads the constitutional court.

However, in a determined show of their own independence, the heads of the senate and chamber of deputies opted for Mr Tesauro as the man to challenge the lack of competition in Italian markets.

The Corriere della Sera newspaper this week quoted Nicola Mancino, president of the senate, as having expressed fury at the way in which members of the governing coalition had attempted to influence the appointment. "Is this the way things are done here?" he asked.

The anti-trust body was first set up seven years ago in a bid to crack down on the maze of cartels and restrictive practices that afflict Italian business life, but it still faces a huge task in trying to impose its authority.

At the end of two and a half years in the job, Mr Amato argued that all aspects of Italian life, from public services and the banking system to bars, hairdressing and taxis, were still far too uncompetitive and frequently over-regulated.

Bundesbank sets last money supply target

By Andrew Fisher in Frankfurt

The Bundesbank yesterday set its last annual money supply target before the scheduled start of European monetary union in 1999, choosing a slightly lower range than last year to keep inflation at bay ahead of the euro's introduction.

It said the range of between 3 per cent and 6 per cent would be adequate to accommodate economic growth in Germany, since there was enough liquidity. The lower range also takes account of the easing of money supply growth to within the 1997 range of 3.5 per cent to 6.5 per cent.

The German central bank said M3 – the broad monetary indicator covering cash and short-term deposits – grew at an annualised rate of 4.7 per cent in November over the fourth quarter of 1996 after 5.1 per cent in October.

The Bundesbank had already looked ahead to Emu a year ago by setting a two-year M3 goal to reduce market uncertainty. The target growth rate for both 1997 and 1998 was about 5 per cent, covering potential production growth, inflation expectations and the speed at which money circulates.

Hans Tietmeyer, Bundesbank president, said it had again chosen a broad three percentage point spread between the upper and lower levels of its M3 corridor because of high volatility in short-term money supply movements.

He repeated the Bundesbank's adherence to money supply targets as a central element in its efforts to maintain price stability, though these have not always been met in the 24 years they have been set.

The Bundesbank is keen the future European central bank, which will also be based in Frankfurt, should use money supply – which he called a "suitable anchor" – as a central instrument of policy. However, the ECB will decide itself how much weight it gives to money supply trends and how much to straight inflation targeting.

Mr Tietmeyer said the Bundesbank's money supply-oriented approach to policy would remain important in the run-up to Emu. But the monetary perspective would obviously change in the second half of 1998 after selection of single currency zone members.

Hans Tietmeyer, Bundesbank president, turns to the press before yesterday's meeting Reuters

FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850. Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. The shareholder of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London, W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address.
GERMANY:
Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg. ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maravigha, 42 Rue La Boetie, 75008 PARIS. Telephone (01) 5376 8254. Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

R

Law aims to improve conditions for entry and working

France eases immigrant curbs

By Robert Graham in Paris

The National Assembly has narrowly approved changes to immigration laws that are aimed primarily at improving conditions for people entering and working in France.

The legislation passed by 276 votes to 254, with the Communist and Green deputies, who are part of the Socialist-led government coalition, abstaining. The Greens accused the interior ministry of not going far enough to ease restrictions.

The centre-right opposition, which forced the debate to last two weeks in parliament, feared that the rules would allow in too many new immigrants, putting an unacceptable strain on social services.

For the first time a person refused a visa will be entitled to demand an explanation. Those entitled to challenge visa refusals include people claiming French descent. EU citizens and persons seeking to be reunited with families. EU citizens will be entitled to 10-year residence permits.

One of the main changes is the abolition of lodging certificates (*certificats de hébergement*), which have been issued since 1982 by the local authorities identifying where a person has accommodation.

According to the interior ministry, the issue of these documents, without which it was impossible to obtain legal entry, vested too much discretionary power in the hands of local authorities. Some 150,000 were issued a year. They will now be replaced by simpler letters that show the immigrant has some guarantee of housing.

To provide further guarantees to immigrants over the granting and renewal of residence permits, the new laws reinstate a system of four-person local commissions which were suppressed by the former centre-right government earlier this year.

The regulations governing family reunions have been relaxed, permitting family members to rejoin an immigrant after one rather than two years' residence. The right is also extended to children of first marriages. Until now, those admitted on the grounds of family reunions have been running at just under 12,000 a year.

Equally, the rules on granting residence permits have been eased. In particular, those marrying a French citizen will be able to obtain a residence permit after one year, not two as previously.

The right of asylum has been extended to cover those "persecuted for their struggle in favour of basic freedoms". This provision has been inserted with an eye on countries such as Algeria, from where people are seeking asylum often not as a result of state repression but because of threats from non-state organisations such as Islamic fundamentalists. About 4,000 a year apply for political asylum.

NEWS: EUROPE

EU telecoms shake-up heralds a bloody war

From January 1998, the European Union will throw open its telecommunications markets. Full competition will be allowed in fixed and mobile telephony, both voice and data, and in services and infrastructure. In addition, full foreign ownership of national carriers will be allowed. In these special reports FT writers examine the consequences of the coming changes for the EU as a whole, as well as for individual countries, companies and regulators

The barriers to full competition in telecoms markets across the European Union will be dismantled on January 1, 1998. That, however, will signal only the start of what seems certain to prove a bloody war which some players may not survive, writes **Alan Cane**.

Some problems for operators and regulators are already obvious:

■ The setting up of regulatory bodies, essential to the orderly development of competition, is still at an early stage in many countries and there is little sign yet that common standards will be agreed across Europe.

■ Interconnection rates, the charges competitors have to pay the incumbent operator to have their calls delivered, are high and vary widely across Europe. These charges constitute a large proportion of a new competitor's overheads and are a key determinant of the rate at which competition develops.

■ Number portability, a customer's right to retain the same phone number when changing operators, is poorly developed in Europe. The UK, whose telecoms market has been liberalised for more than a decade, only achieved portability last year.

Paul Chisholm, president of Colt Europe, a new operator chiefly serving Europe's financial markets, comments: "I can see us being aggressive in convincing regulators to make the right decisions". He thought, however, that interconnection rates, especially in France and Germany, were more reasonable than expected.

But using countries where markets have been open for some years as a guide, it seems certain that competition will develop only slowly and that newcomers will have a hard time winning market share from incumbents protected for more than a century by monopoly, state ownership and bureaucracy.

In the UK, British Telecommunications, the European leader in marked liberalisation, still retains some 70 per cent of the market despite 13 years of competition.

The European Commission, however, is determined that market liberalisation throughout the EU as a whole will force change on overweight, sluggish and bureaucratic carriers. The UK experience may help new competitors to a better understanding of ways to tackle the incumbents' dominance.

After reviewing the situation in September, the Commission showed its teeth last month, instigating legal action against seven countries – Belgium, Denmark, Germany, Greece, Italy, Luxembourg and Portugal – for failing to implement one or more of its market-opening rules.

Belgium, Greece, Italy, Luxembourg and Portugal, for example, have yet to comply with rules which require them to allow new competitors to build physical networks *in competition with the* existing monopolies.

Member states can hardly complain about lack of preparation time. The EU has been pondering market liberalisation for more than a decade. Open competition in telecoms switches, switchboards and handsets, for example, has been allowed since 1988. At present, there is open competition across Europe in mobile voice services and data services, but public voice calls – which provide the bulk of operators' revenues – remain the preserve of national carriers, except in the UK, Sweden and Finland.

The decisions which led to January 1, 1998 as the starting date for full telecommunications liberalisation were made in 1993 and 1994. The only EU countries *excluded are Greece, Ireland and* Portugal, which have been allowed a few extra years to enable their national operators to prepare to face the full blast of competition.

The Commission was determined to press ahead with liberalisation for two reasons. First, it was influenced by the perception that economic development follows rather than precedes efficient telecoms, and that competition is the best way to ensure quality and variety of service.

The Commission was aware of the vigour of the US telecoms market, which has been relatively open for more than a decade, and concerned that Europe might fall behind. As Sir Peter Bonfield, BT chief executive, said earlier this month, lib*eralisation was a once in a life*time opportunity: "The stakes are high," he said. "If we succeed, we will give new vitality to the single market in all sectors and make the European Information Society a reality. If we fail, we could see Europe fall behind the US as a destination for investment and as a centre of economic growth and opportunity".

The second main factor behind the market opening has been the wider pressure of world trade liberalisation. The package of liberalisation measures to which the EU countries have agreed was essentially Europe's "offer" or commitment to the ground-breaking World Trade Organisation agreement in early 1997 designed to open the majority of the world's telecoms markets to competition.

Operators new to Europe, such as WorldCom, Colt, Esprit Telecom and RSL Communications Europe, welcome the opening of the markets and new opportunities. Established operators may pay lip-service to *the new order* but are resigned to losing market share as competition bites.

They will have the common problem of defending their home markets against the new rivals while attempting to sustain revenues by competing successfully abroad. This explains the rash of alliances and partnership which have sprung up across Europe as the January deadline approaches.

Euro-regulator spectre hovers backstage

Brussels has not abandoned the idea, writes **Emma Tucker**

Over the past four years the European Commission and the 15 countries of the European Union have pieced together a regulatory framework designed to ensure free and fair competition in telecoms after liberalisation.

The approach has been relatively light, the idea being that national telecoms regulators will take charge of competition matters, with the Commission as ultimate arbiter where disputes arise.

But many in the industry hanker after a single European regulator to oversee the transition to liberalisation. Companies fear the existing decentralised system will settle issues too slowly. They also question the independence of the new National Regulatory Authorities (NRAs).

Martin Bangemann, commissioner responsible for telecoms, is sympathetic to the idea of a Euro-regulator, but has not pressed its case.

"It would have been too much to ask of the member states," says a Commission official. Imposing a Euro-regulator on top of liberalisation might have been "hard for them to digest".

In the industry, opinion is divided. "We are in favour of this kind of regulator, but we would want to know exactly what it was going to regulate," says Christophe Bortoli of France Telecom.

Richard Woollam of the European Communications Network goes much further, believing that without a single authority Europe's liberalised market will become bogged down in disputes that take months to settle.

"The system needs to be fast, it needs to be dominant, and it needs to be federalist," says Mr Woollam.

Instead, Europe has imposed the very opposite – *a decentralised system of* under-resourced national authorities likely to settle disputes slowly, he says.

By contrast, the European Public Telecommunications Network Operators Association (Etno), argues that "the NRAs and the regulatory laws in the member states need to be given a chance to prove themselves before the desirability and role and responsibilities of a new European regulatory function can be established."

One argument in favour of a Euro-regulator is that it would be more independent and so more effective at standing up to former monopolies – powerful, wealthy companies that have had years to prepare for "big bang" liberalisation.

By contrast, the new NRAs will be poorly resourced and staffed and are likely to get caught in the middle of clashes between powerful telecoms companies, battling to bust open each other's markets while preserving their own position at home.

"We have had Oftel in the UK since 1984 and it is still under-funded and under-resourced," says Mr Woollam.

Under resourcing also leads to slow responses by the regulators – which can be harmful when companies are on the verge of investing huge sums.

Another concern revolves around the independence of the NRAs, largely staffed by former employees and civil servants of the telecoms monopolies or government departments that ran them.

With privatisations pending for many of the former state-run operators, governments may exert pressure on the regulators to avoid decisions that devalue their precious assets. This could affect settlement of transborder disputes over interconnection charges, for example.

The other main argument against leaving competition matters to the member states is that by the Commission's own admission, many are not yet ready to take on the role.

A review of the situation in September revealed that many countries are not applying the law in practice, resulting in long delays before licences are granted, prohibitive licence fees and interconnection charges

However, virtually all member states had taken the necessary measures to set up an NRA independent of the incumbent operator and endowed with appropriate powers.

"It is not likely that we will have serious problems with the NRAs," says the Commission official, adding that those overseeing Europe's biggest markets are already on the right track.

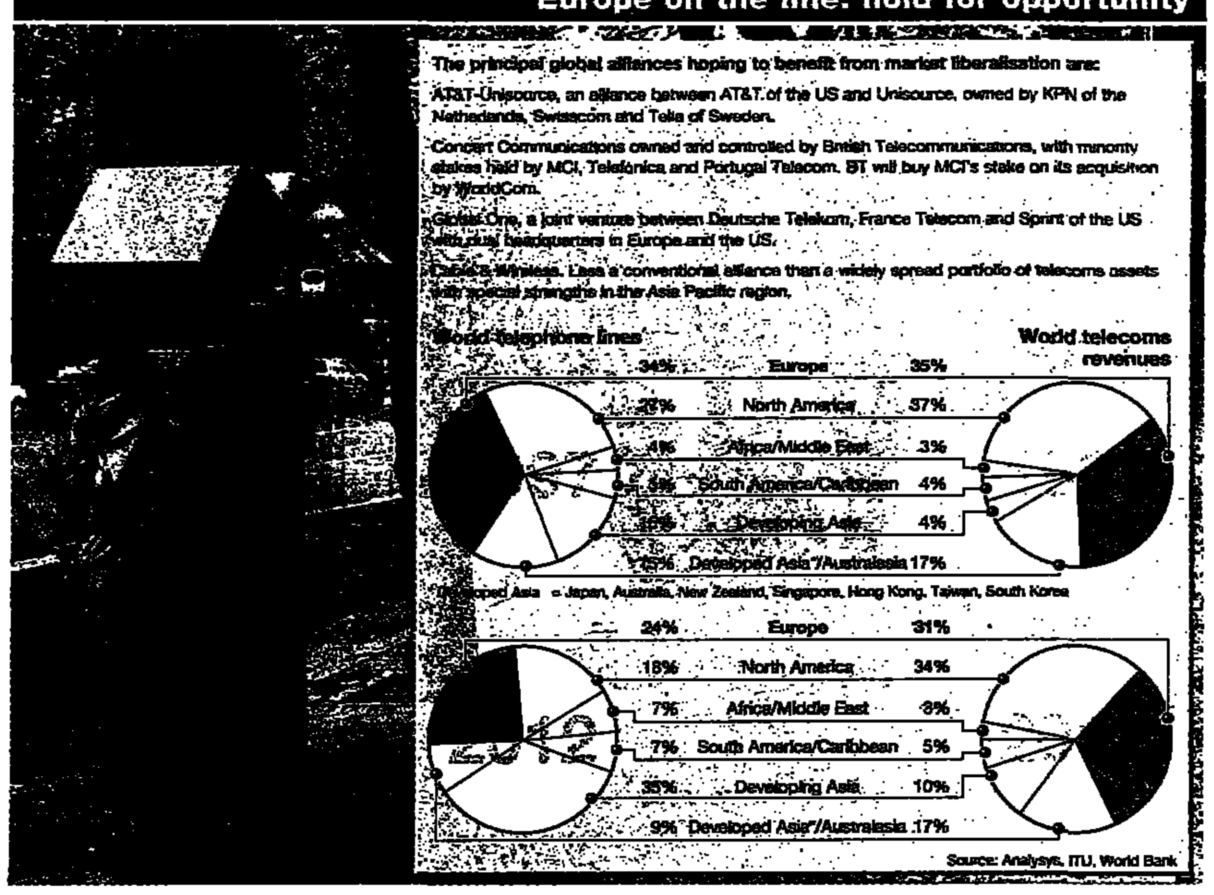
"The new French and German regulators have lowered interconnection charges in a way which was probably not expected," he says.

Nevertheless, the Commission has not abandoned the idea of a Euro-regulator. It will look again at the situation at the end of 1999.

If the Commission then decides to establish a Euro-regulator, Etno and many other telecoms players believe the arrangement should only be temporary.

"Sector specific regulation for telecoms should be allowed to wither away over time," says Neil Gibbs of Etno. "There are certain areas such as numbering and frequencies which do need special regulation, but normal competition rules should eventually apply, just like for any other industrial sector."

Europe on the line: hold for opportunity



Mobile phone competition 'like cat fight'

By Alan Cane

Mobile phone operators and *data networking companies* have enjoyed liberalised markets in Europe since the late 1980s. But interpretation of "liberalisation" can differ from country to country .

While new mobile operators may face lesser challenges than newcomers in conventional fixed wire telephony, they can still be hurt by regulatory foot-dragging.

Mike Short, director of international affairs for Cellnet, the UK's second largest mobile operator, says the situation of new challengers to fixed line incumbents "is like a mouse chasing an elephant; in mobile, it's more like a fight between two cats". Customers have enjoyed lower prices and better service as a result.

In Germany, Mannesmann Mobilfunk has shaken Deutsche Telekom's DeTeMobile subsidiary with aggressive pricing and marketing. Mobile telephony has grown dramatically in Europe as a whole, with more than 30m subscribers. The European Commission is forecasting 40m subscribers by 2000 and 80m by 2010.

There are now at least two competing operators in all EU countries and the Commission has called for licences to be issued for personal communications services – mass market mobile telephony – by 1998. But in spite of liberalisation, regulatory problems still affect the sector.

The Commission warned the Italian government earlier this year it faced legal action over its mobile licen*sing policy. The Commission* said Italy had failed to compensate Omnitel Pronto Italia, the country's second operator, for charging it a L750bn ($451.6m) licence fee, while Telecom Italia Mobile, Italy's biggest cellullar company, paid nothing.

The Commission is now threatening to withhold approval for an alliance between Telecom Italia, AT&T and Unisource until full compensation.

Meanwhile, data transmission has also become one of the fastest growing telecoms services driven, today, by the internet and other capacity-hungry applications.

It has also become a useful foothold for international companies. Denied the possibility of offering voice services anywhere in Europe, in 1989 AT&T bought Istel, a UK-based data networking group. "We continually need more bandwidth," says Steve Whipps, managing director of AT&T's business markets.

It is not an area for small operators. There are three leagues of competitors: first, the global alliances, such as AT&T-Unisource, Concert Communications, Global One, and the Cable and Wireless group. Then there are service providers such as IBM and Equant, which claims to operate the world's largest data network.

Third, there are newcomers such as WorldCom, which plan to lease or rent capacity on their networks.

US operators ready to fight for market share

By Alan Cane

US and US-backed companies have been preparing for the opening of Europe's telecoms markets for years. None of them believes it will be easy: "I don't expect a walk in the park," says David Oertle, chief executive of Esprit Telecom, one of the fastest growing of the independent operators.

Still, US companies have been getting ready for the fight. This week Esprit raised about $300m from institutional investors in Europe and the US to fund an ambitious expansion of its network. Plans are ready to add 21 new European city sales offices to the 19 already in place.

According to Mr Oertle: "We believe it is necessary either to own or control your own network infrastructure if you are going to be one of the significant long-term players in Europe."

WorldCom, the rapidly growing US operator, is creating a pan-European network to link the fibre optic loops it has been laying around major European financial centres including London, Amsterdam, Brussels, Paris, Frankfurt, Zurich and Milan.

The company claims to be the only operator in northern Europe with the licences, fibre optic connections and interconnection agreements to provide comprehensive services to its customers throughout the region.

Hermes Railtel is a different kind of operator. Owned by a consortium of 11 European railway companies and the US group Global Telesystems, it has been laying fibre optic cables along railway lines to form a network capable of attracting business from other major telecoms companies.

AT&T, MCI and Sprint, the larger US carriers, have operated chiefly through local partners. AT&T has formed an alliance with Unisource, while Sprint has linked up with Atlas, the alliance of Deutsche Telecom and France Telecom. MCI, still legally a partner with British Telecommunications in Concert, will have access to WorldCom's local networks when its acquisition by WorldCom is complete.

In addition, a number of US groups, especially the "Baby Bells", as the regional operating companies are known, have invested in UK telecoms and cable television companies in the past few years, to exploit the growing market and gain experience of competition in a liberal regime.

Cable television has proved less successful than many had hoped. With the opening up of new opportunities in the US under the Telecommunications Act of 1996, many of these groups are looking back to their home territory, rather than to Europe.

Sweden paves way with early liberalisation

By Greg McIvor in Stockholm

As the first European country outside the UK to deregulate its telecommunications industry, Sweden is something of a showcase among the countries now preparing to follow suit.

The country deregulated its cellular services as long ago as 1981. Liberalisation of fixed-line telephony was under way by the end of the decade, and by 1993 deregulation was complete.

The advent of competition triggered a rapid influx of telecoms operators into the country's SKr80bn ($10.3bn) market. Telia, the former *monopoly operator, now has* some 15 competitors on its doorstep.

Among them are such groups as MFS of the US, Global One – an alliance of Deutsche Telekom, France Telecom and Sprint of the US – and Telenordia, a joint venture between British Telecom, Tele Danmark and Telenor of Norway.

But making an impact on the market has not been easy. Stelacon, a Swedish consultancy, estimates Telia retains 94 per cent of the fixed telephony market.

The strongest challenge has come from Tele2, controlled by Kinnevik, the Swedish media group. The company has captured more than 20 per cent of international traffic and about 10 per cent of long-distance calls, but has been less aggressive in the local calls segment, where margins are thinnest.

Big foreign groups have also won some business from high-volume telecom users, such as Swedish multinationals. Nevertheless, the foreign entrants' combined share of the total market is a mere 1 per cent, according to Stelacon.

One obstacle to expansion is Telia's control of access to its fixed networks. It leases capacity to competitors but there have been complaints that its charges are too high and suggestions that the independent regulator could be firmer in promoting competition.

Several operators are *developing their own net*works using ducts and pipelines owned by the national railways board and national electricity grid. But these offer local or regional rather than national coverage.

However, the loss of some of Telia's lucrative international and long-distance traffic has squeezed the margins of the former monopoly, forcing it to cut its workforce from 46,000 in 1991 to 31,000 today. But in spite of its falling profitability, Telia's revenues have increased steadily.

"The good news about competition is that the overall market grows more rapidly," says Bertil Thorngren, Telia's head of corporate strategy. The Swedish telecom market, he says, is growing at 10 per cent annually – more than three times the pre-deregulation rate.

PROFILE: BRITISH TELECOM

Long-distance visionary

British Telecommunications can claim European leadership in moves to exploit market liberalisation. It continues to dominate its home market while extending its influence abroad through a series of alliances and partnerships.

With the formation last week of an Irish subsidiary through an alliance with the republic's Electricity Supply Board, its European jigsaw is essentially complete.

In Germany, Europe's largest telecoms market, BT has a 50-50 joint venture, Viag Interkom, with the industrial group Viag. In France, it is a partner with Compagnie Générale des Eaux in Cegetel, which is expected to emerge as the chief competitor to France Telecom.

The UK group suffered a reverse this year, however, when ambitious plans to merge with MCI of the US failed at the last moment. Renegotiation of the terms of the merger after MCI issued a profits warning allowed WorldCom, a rapidly growing and aggressive US operator, to snatch MCI from BT's grasp.

But BT intends to secure total ownership of Concert Communications, the global supercarrier *it formed in* partnership with MCI. Concert will continue to be chief vehicle for BT's efforts to attract the business of large international customers through advanced services such as virtual private networks and frame relay, which give customers lower costs and greater efficiency.

At home, BT has lost market share since the UK market was first opened in 1984, but at a slower rate than could have been anticipated. There are, however, now more than 50 licensed operators in the UK, while retail prices have fallen more than 50 per cent in real terms since the company was privatised in 1984.

But competition is beginning to hurt as integrated cable and telephone operators such as Cable and Wireless Communications take greater market share.

BT is losing residential customers at more than 60,000 a month – helped, no doubt, by number portability, which makes changing operators less traumatic.

Don Cruickshank, UK telecoms regulator, recently predicted that by 2000 BT's share of local calls would be less than 70 per cent, compared with about 90 per cent today. He said BT's share of international calls would slip to only 40 per cent compared with over 60 per cent today.

BT's prices are competitive because of regulatory and competitive pressures, though most of its competitors can undercut at least some of its tariffs.

It has increased its decision-making speed and moved into new territories including advanced media services, forming British Interactive Broadcasting with BSkyB, Matsushita and HSBC Midland.

Alan Cane

PROFILE: DEUTSCHE TELEKOM

Defensive giant limbers up

Deutsche Telekom has had to find nimble feet fast. Little more than a year after its partial privatisation in November 1996, the German telecoms giant is facing fur*ther upheaval – this time led* by new, well resourced rivals determined to snatch market share and profits.

At times, the changes have made the company seem defensive.

When regulators set unexpectedly low prices for the "interconnection" between Deutsche Telekom's network and those of its rivals, its reaction was furious.

Interconnection rates are vital for their effect on competition and the value they place on established companies' infrastructure, and Deutsche Telekom argued that it had been cheated.

The company has only just finished a DM50bn ($28bn) investment programme to modernise east Germany's antiquated telecommunications systems – a cost it feels is not reflected in the interconnection tariffs.

As a result, it is challenging the interconnection decision in court. The result, expected next year, will be an important test of the strength of Germany's *freshly installed telecoms* regulatory regime.

No matter how the verdict goes, Ron Sommer, the former Sony executive who has headed Deutsche Telekom since May 1995, is still fighting to curb costs, despite cutting staff by 30,000 over the past three years. But he probably has a little breathing space anyway.

The effects of liberalising public voice services from January are likely to build slowly. At the end of the year responsibility for regulation will switch from the Bonn post and telecoms ministry to a new agency and it will take time to sort out unresolved technical issues. And the new competitors want to roll out services slowly to avoid mistakes that alienate cautious German consumers.

But there is no doubting the strength of competition. To date, the post ministry has licensed 35 new public telephone network providers – of which 13 plan to operate nationwide services.

O.tel.o, a telecoms venture by the Veba and RWE industrial conglomerates, promises to undercut Deutsche Telekom by 15-20 per cent on long-distance calls, while Mannesmann Arcor, another new group, promises similar discounts.

In response, Mr Sommer promises "a surprise every month". Deutsche Telekom will compete on service as well as price, he says.

This week Deutsche Telekom announced aggressive price cuts for long-distance calls as part of a competitive tariff structure for next year. It will also offer discounts for long-duration calls and reduce connection charges with its mobile phone networks. The company "will fight for every single customer," Mr Sommer says.

Ralph Atkins

Punishment for Daiwa and Nikko

By Gillian Tett in Tokyo

Daiwa and Nikko Securities, Japan's second and third largest brokers, yesterday received large government penalties as a punishment for a racketeer scandal.

Daiwa was banned from proprietary stocks, futures and options trading and Japanese bond underwriting for four months, while Nikko was suspended from similar operations for 2¼ months. Both penalties start on Christmas Day.

The penalties are similar though slightly smaller than those imposed on Nomura, Japan's largest broker, for a similar scandal in August. These are due to end this month. However, the suspension could hurt the other two brokers more since they are in a weaker financial position than Nomura.

They are also likely to boost the position of foreign investment banks, which have been making huge gains in Tokyo recently because of the scandals and the collapse of Japan's fourth largest broker, Yamaichi, last month.

The "Big Four" brokers of Nomura, Daiwa, Nikko and Yamaichi previously dominated the Tokyo stock exchange. But in October and November, Merrill Lynch and Morgan Stanley, the US investment banks, respectively took the largest shares of trading on the Tokyo Stock Exchange.

Foreign groups are expected to increase this gain in December. However, firm data will not emerge because the three big Japanese brokers decided earlier this month to stop releasing timely information on their TSE shares, partly at the initiative of Nikko.

The announcement of the penalties by the Ministry of Finance marks the closing stage of the scandal, which has convulsed Japan's financial world. It revolved around allegations the brokerages made illegal payments to *sokaiya*. These are racketeers who demand money for not revealing sensitive information about companies.

Masashi Kaneko, Nikko president, yesterday acknowledged the penalties would have a severe effect. Analysts believe they are likely to leave Nikko and Daiwa recording almost no profit this fiscal year. Nikko and Daiwa respectively recorded pretax profits of Y2.2bn ($17.3m) and Y19bn in the six months to September, compared with Y49.3bn at Nomura.

However, some observers hope the shock of these scandals will force faster management change at the brokers. Nikko yesterday said it planned to introduce new US accounting standards at the group in an effort to reassure international investors. Both companies have also recently announced new business plans.

However, these efforts have been undermined in recent weeks by revelations of another scandal over Y260bn of hidden *tobashi* losses that Yamaichi was holding on its balance sheet when it collapsed. *Tobashi* is the practice of shuffling losses between accounts to conceal them. Daiwa shares fell recently on suspicions that it is also holding such losses but the company strenuously denies this.

Meanwhile, Sumitomo Bank said it was withdrawing from earlier discussions about a possible purchase of Yamaichi's asset management arm. EDS, the IT group, said it was cancelling plans to hire Yamaichi's IT employees. However, Sanwa Bank confirmed it had commenced negotiations to purchase Yamaichi's investment trust affiliate.

See Observer

Overseas sales are seen as key to the country's growth as domestic economy remains sluggish

Exports to Asia cloud Japan's prospects

By Paul Abrahams and Gillian Tett in Tokyo

Japan's overseas sales are the key to what little economic growth Japan may achieve this fiscal year. Net exports are expected to provide 1.3 per cent of economic growth in the year ending in March, a period in which Japan's Economic Planning Agency (EPA) now thinks gross domestic product will expand just 0.1 per cent.

If the EPA is right – and it has been notoriously over-optimistic – then Japan's export performance will have prevented the economy sliding into recession this fiscal year.

But Japan's export growth is decelerating.

Exports increased just 6.4 per cent last month, the first single digit increase since December last year.

The main problem is Asia, which accounts for 40 per cent of Japan's shipments overseas.

Exports to the US and EU rose 9.4 per cent and 13.9 per cent respectively.

But those to Asia fell 1.9 per cent, as the recent economic crises began to hit demand for Japanese products.

Exports to Thailand fell 33 per cent, those to Malaysia 4.3 per cent.

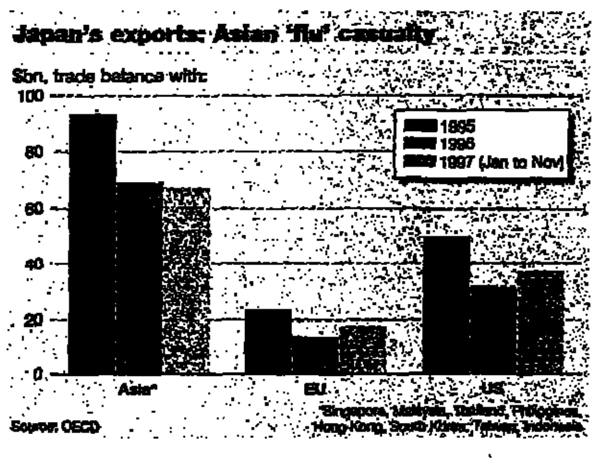
Japan's automotive manufacturers warned yesterday exports would be flat next year at 4.53m units.

Despite the weakness of the yen, the export outlook is gloomy.

The Economic Planning Agency yesterday warned exports would provide zero growth in the next financial year.

If Japan is to avoid recession the slack needs to be taken up by the domestic economy, which the EPA expects to grow by 1.9 per cent next fiscal year.

Their forecast is despite the 1.4 per cent contraction in gross domestic product during the six months to September.



Consumer confidence has been dented by last April's 2 percentage point rise in sales tax and recent financial collapses.

The bureaucrats are partly pinning their hopes on this week's corporate and income tax cuts and additional public spending which they hope will help fragile consumer confidence.

The ministry of finance says 70 per cent of the Y2,000bn ($15.7bn) income tax cuts should be provided to consumers by the end of March.

The EPA's expectations are ambitious.

It expects domestic demand to add 1.9 per cent to GDP growth next year, compared with a 1.2 contraction this fiscal year.

But the economy's weakness can be seen in November's import figures, which registered the first decline in 43 months.

Japan Automobile Importers Association said it expected vehicle imports to fall 15.8 per cent this year, the first decline in five years. It blamed poor consumer confidence and the yen's decline which made their cars more expensive.

The biggest danger is a credit crunch.

The slide in the Nikkei cut listed banks unrealised profits in securities by 45 per cent during the year to September, according to a recent survey by Tokyo Shoko Research, a Japanese research group.

Unrealised reserves fell by Y9,499bn to Y12,824bn among the 101 banks listed on the Tokyo Stock Exchange, as the Nikkei 225 average fell 3,600 points over the 12 months to close just below 18,000.

Since then the Nikkei has fallen further, suggesting additional profits have been wiped out.

The loss of these reserves – which arise because of the gap between market and book value of banks' large equity holdings – will give them less of a financial cushion to write off bad debts.

Government officials think this is the most important factor – together with new lending regulations being introduced next year – behind tighter lending to big and small companies. A Bank of Japan survey this month showed a sharp deterioration in liquidity.

The danger is this squeeze could lead to bankruptcies and higher unemployment as well as another dip in consumer confidence and spending.

If so, the chances of the economy hitting the EPA's growth forecast next year are bleak.

Children who oil the wheels

Sons and daughters of Chinese leaders aid foreign businesses

As China's leading foreign bankers sit down today in Beijing with Xiang Huaicheng, a top official at the government tax bureau, to try to resolve problems raised by a new tax on foreign bank lending, they might spare a grateful thought for his daughter's "liaison work".

Xiang Sisi works for Arthur Andersen, the international accountancy firm, which has arranged the meeting with her father and is charging foreign banks a fee for conducting the "lobbying exercise".

Guanxi – connections – have long been a feature of doing business in China, where a liberalising market economy operates in a one-party state. As international business bumps up against Beijing's meddling bureaucracy, the small but growing number of children of Communist cadres working for foreign companies are valued as avenues – real or perceived – of political access and understanding.

Ms Xiang, who started work in the tax department of Arthur Andersen's Beijing office earlier this year, said she did not organise the meeting with Mr Xiang, whose official title is deputy director of the State Administration of Taxation and is a member of the Communist party central committee. "I have only done liaison work," she said, when contacted by telephone.

Her manager, Tony Kwan, said: "She may have been asked by some colleagues to check her father's availability on that day, but she is not involved in the project." Participating in the lobbying exercise, Mr Kwan said, would present Ms Xiang with a conflict of interest.

Arthur Andersen is co-ordinating the "lobbying exercise" for foreign banks in their campaign against the potentially damaging new levy, requiring banks that wish to attend or be represented at the meeting to contribute to the firm's proposed fee of $95,000 for professional services.

Other firms employ the sons and daughters of high-ranking cadres.

Qian Ning, the son of China's foreign minister, Qian Qichen, works for Coopers & Lybrand, the accountants and business consultants, in Beijing. Mr Qian says it has become "quite common" for the children of high-ranking officials to work for international companies.

More and more of them go abroad to study and, on their return, they are increasingly free to work for the multiplying number of foreign firms. "The children of leaders have to make a living too. They have to get a job," says Mr Qian.

Stuart Smith, managing partner of Coopers & Lybrand in Shanghai, says Mr Qian's "use to us is that he can arrange meetings with people more easily than we might otherwise be able to do. He has access to people that others do not".

Union Bank of Switzerland's country manager for China is Zhou Yuan, the son of Zhou Nan, former head of Xinhua News Agency in Hong Kong which acted as Beijing's *de facto* embassy in the territory before it returned to Chinese sovereignty on July 1.

Mr Zhou says the importance of family relationships is often overstated: "It is the professional skills and knowledge of individuals, much more than their connections, which matter for expansion of a business."

James Harding

Confidence in Australia but woes ahead

By Gwen Robinson in Sydney

Buoyed by positive indices, the Australian government yesterday rushed out its annual mid-year economic review, ahead of the planned January schedule.

The report says the economy is performing better than earlier forecast and will produce a budget surplus for the first time in almost a decade, according to John Howard, prime minister.

The news comes after turmoil in Asia triggered fears of a potential knock-on effect and dragged down the Australian dollar and share market. Strong domestic demand is expected to offset the impact of the Asian crisis, said Peter Costello, treasurer. Australian families have benefited from interest rate cuts and now had the confidence to spend at Christmas "sure in the knowledge the government is managing the economy responsibly," he said.

For the year to June, Australia's underlying budget deficit will be reduced to A$2.7bn (US$1.8bn) against the earlier forecast of $3.9bn, the treasury said yesterday. The underlying figure discounts asset sales and one-off items and is the most closely watched figure by financial markets.

The forecast for GDP growth, meanwhile, remained unchanged at 3.75 per cent, up from 3.3 per cent the previous year, despite earlier fears that Asia's woes would force downward revisions. Underlying inflation for the year was revised to 1.75 per cent from 2 per cent.

But darker clouds from Asia are already moving towards Australia. Private economists, while broadly agreeing with the government's prognosis for the current financial year, say the good news will be shortlived. They say growth is likely to tail off in the second half of 1998 as exports and business investment slow down.

In the foreign exchange market, the Australian dollar is "guilty by association with Asia," said one analyst. As Asia's problems deepen, that view is likely to apply to the country's vast commodity export and tourism industries.

That is because the Asian region absorbs nearly 60 per cent of Australia's total exports; excluding Japan, the total figure is 40 per cent. Korea is Australia's top market behind Japan. In addition, Asia took more than 92 per cent of Australia's entire steaming coal exports last year and 80 per cent of iron ore exports.

In tourism, the country's top foreign exchange earner and creator of jobs, the growth forecast for inbound tourism was cut last week from 11.5 per cent to between 3 and 7.3 per cent in the next eight years.

Mr Costello admitted yesterday the region's woes will cut into Australia's short-term growth prospects. Employment growth is unlikely to rise from the current year and GDP growth is likely to slow to 3.25 per cent in the next financial year, he said. "You're sitting in the midst of the biggest financial meltdown we've ever seen in our lifetime in our region," he added.

The chief concern is that the combination of collapsing export markets and rising imports will blow out the current account deficit and drive up interest rates, reopening a gap of up to 1.5 percentage points between Australian and US rates.

It is hardly surprising that many ordinary Australians are confused. To match the mixed economic signals, the share market and the Australian dollar were on roller coasters throughout the week, as fears of Asian contagion dragged on blue chip resource companies.

The dollar plunged on Wednesday to a four-year low of US$0.6460, from the year's high of US$0.74 in October, before firming yesterday on the back of the government's fiscal review.

NEWS DIGEST

China acts to boost lending

China has cut its interbank deposit rates for mainland banks and foreign banks operating in Chinese currency from over 7 per cent to 1.7 per cent, in a move to encourage lending and bolster investment growth.

The infant interbank market plays a limited role in China, where high savings rates tend to provide state-owned banks with sufficient liquidity to fund loans. However, the decision by the People's Bank of China, the central bank, to cut the interbank deposit rate reflects the growing determination in Beijing to reinvigorate lending to Chinese business. The cut in the interbank deposit rates is dated back to October 23, when China cut its deposit and lending rates by 1.5 per cent and 1.1 per cent respectively. *James Harding, Shanghai*

■ PAKISTANI POLITICS

Sharif suffers setback

Nawaz Sharif, Pakistan's prime minister, yesterday suffered a setback to his attempts to consolidate his political position in this month's presidential elections. The nomination of Rafiq Tarar, a retired judge and closed friend of the Sharif family who was backed by Mr Sharif to be elected as president, was rejected by Pakistan's election commission. The commission is an independent watchdog headed by a judge of the supreme court, which scrutinises all candidates.

Government officials said the nomination was rejected on the grounds that Mr Tarar had criticised some of Pakistan's senior judges. Under Pakistani law, candidates for election to higher public offices can be barred from the contest if they are found guilty of criticising judges. The law also allows for disqualification of public representatives after they are elected if they are found guilty of insulting judges. It was not clear if Mr Sharif would choose another candidate from the 29 who are contesting the election. *Farhan Bokhari, Islamabad*

■ MOTOR INDUSTRY

New Zealand cuts tariffs

New Zealand's once powerful car assembly industry – which built up to 160,000 cars a year a decade ago – seems a certain casualty of the government's decision to axe the tariff on motor vehicles.

The government last night said the tariff would be scrapped from December 1, 2000, in a bid to make vehicles cheaper. John Luxton, commerce minister, said it would cut the price of new cars by up to NZ$4000 (US$2,385). Over the next three years the government would continue to cut back the tariff regime, which began nearly a decade ago under the reformist Labour government.

Terry Hall, Wellington

■ PRESIDENT'S HEALTH

Suharto tries to ease worries

President Suharto re-appeared in public yesterday for the first time in 12 days, easing concerns among his people and the markets about his health.

Mr Suharto, 76, appeared tired but cheerful as he congratulated 947 graduating armed forces cadets in the grounds of his presidential palace. He dispensed with a tradition of descending from the podium to mingle with the soldiers, cutting the ceremony to 40 minutes.

The rupiah climbed back to 4,950 to the US dollar on the news compared with an all-time low of 5,980 on Tuesday. The Jakarta Stock Exchange Index edged up 9.7 points to 368.7. *Sander Thoenes, Jakarta*

FRIDAY DECEMBER

...nomy remains sluggish

...s prospects

...onfidence in ...ustralia but ...oes ahead

Kenya's yesterday man adrift in tribal maelstrom

The failure of opposition leaders to take charge of tribe-based politics leaves President Moi in a strong position to win re-election, writes **Michela Wrong**

Slipping off a sock and propping a bare foot on the table, Kenneth Matiba wiggles his toes with evident satisfaction.

"A stroke is a funny thing," he muses, admiring the dexterity he once thought he had lost. "Recovering is like a frozen chicken defrosting. It starts from the outside, but the inside isn't quite right. It has taken a long time, but now I have recovered all the way through."

While his struggle to recover full health wins universal admiration, many believe the 1991 stroke suffered by the opposition veteran after 10 months of political detention left a once-inspirational leader unable to undertake the strain of high office.

In an interview, the man who ran President Daniel arap Moi a close second in the 1992 elections – notching 26.8 per cent of the vote compared to the head of state's 36.8 per cent – rants against the Asian community, claims Mr Moi has Aids and accuses the British and Americans of betrayal.

Watched over by an anxious aide, he has difficulty finishing sentences and slurs his words.

His disability, and his followers' reluctance to accept that retirement is now overdue, help explain why Kenya's December 29 elections are expected to return Mr Moi to a fifth term in office despite a record of top-level corruption, collapsing infrastructure and declining living standards.

For in what critics describe as a tactical blunder, Mr Matiba, who emerged from the last polls as standard-bearer for an embryonic opposition, is boycotting the election on the grounds that recent constitutional reforms do not alter the fact that the electoral system is heavily weighted in Mr Moi's favour.

That leaves his Kikuyu community floundering: torn between the abstention Mr Matiba recommends, voting for a range of less charismatic Kikuyu candidates, or taking the virtually unheralded step of placing their trust in a candidate from a rival ethnic group.

Since the Kikuyu represent more than a fifth of the population and would be key players in any anti-Moi alliance, such confusion represents a serious blow to hopes of ousting the head of state. Nearly 20 years after the death of Jomo Kenyatta, Kenya's first president and a Kikuyu, the country's biggest ethnic group is lost in the political wilderness.

Originating from Kenya's fertile central highlands, the Kikuyu were originally taken under the wing of British colonialists, who regarded them as the most co-operative and adaptable of the country's 42 tribes.

They moved into the Rift Valley, occupying land held by smaller tribes, and came to dominate the tea and coffee industry. But their real accession came during the Mau Mau rebellion of the 1950s, when Kikuyus waged war on white settlers, paving the way for independence.

Under Kenyatta they prospered, not only enjoying political power but profiting from high commodity prices of the 1960s and 1970s to establish themselves as an ambitious commercial elite.

When Mr Moi, a member of the minority Kalenjin tribe, took over in 1978 in the face of Kikuyu opposition, marginalisation loomed. He gradually created a new power base by uniting small tribes who resented the dominance of the Kikuyu and other large ethnic communities.

Kenneth Matiba addresses an election rally: many see a once inspirational leader as no longer fit for office

In the phrase that so tellingly captures the crude reality of power in modern Kenya, Kikuyus were edged out as a new Rift Valley elite took its turn to "eat" state resources. The central highlands were starved of development while government funds poured into Kalenjin districts.

"We built this country and now we have been reduced to beggars," says David Karugo Mugo, running the parliamentary election campaign for the Safina party in Kiharu, the constituency north of Nairobi that Mr Matiba traditionally contested.

"Life used to be very good. Now our roads are impassable, our youngsters are disqualified from government recruitment drives and when our water supplies break down, no one comes to fix them. Moi does not like the Kikuyus."

Across these rolling hills, where the tightly-packed plots and lack of tree cover attest to a spiralling birth rate and huge pressure on the land, Mr Mugo would normally be raising support for Ford-Asili, Mr Matiba's party until his quixotic behaviour triggered an internal coup d'etat.

But the boycott call, widely rejected in central highlands because it would hand the ruling Kanu party victory on a plate, has forced Mr Mugo and his colleagues to find a new harbour, with a party registered a month before the polls and a former stock exchange chairman as a champion.

Safina is not putting up a presidential candidate, so voters in Kiharu are wavering between Mwai Kibaki, a Kikuyu former vice-president regarded locally as a weak-willed fence-sitter and Charity Ngilu, a member of the eastern Kamba tribe and political neophyte.

Neither has formed the kind of pacts with other tribal groups that could give an opposition candidate a 25 per cent vote in five of Kenya's eight provinces, a condition for success in the first round of the polls.

"Our leaders have failed us," says Jackson Nganga, who is running in Kiharu's municipal elections. "Since 1992 there should have been time to work out the modalities of getting into State House. Our leaders are all too envious of power."

Aware their electoral hopes are slim this time around, many Kikuyus pin their hopes on something of a dark horse: George Saitoti, the current vice-president and leading candidate for the succession once the 73-year-old president retires.

Although brought up in Masaailand, his origins are Kikuyu. Many analysts believe his plan is to stress his Masaai links, thereby reassuring the small tribes in government, just as long as it takes to win the ultimate post and then emerge as the new patron of the sidelined Kikuyus.

In Muranga town, Kiharu's focal point, local elders prick up their ears when they hear Mr Saitoti's name and agree he would be acceptable as president. But the fact that a constituency which has been an opposition fiefdom for 19 years could welcome a Kanu hardliner and Moi confidant underlines the real weakness of Kenyan politics.

Six years after the introduction of multipartyism, politicians across the spectrum ruefully acknowledge, what matters is not ideology, but which tribe you belong to. As one analyst put it: "When parties talk about their democratic rights, they are really fighting for their tribe's chance to "eat" at the national trough."

US calls for tough line on Iraq

By Michael Littlejohns and Laura Silber in New York

The US last night urged the United Nations Security Council to demand that UN arms inspectors be allowed to enter all suspected Iraqi weapons sites, following a new attempt by Baghdad to limit their operations, including a bar on President Saddam Hussein's homes and offices and other so-called "sovereign sites".

Richard Butler, head of the inspection commission, briefed the Security Council yesterday on his latest talks with Iraq, which Bill Richardson, US delegate, termed "discouraging" and cause for great concern.

President Bill Clinton this week again refused to rule out force in response to Iraqi intransigence, but Mr Richardson said: "We want to resolve this issue diplomatically, through the Security Council."

Noting that the council had four times unanimously insisted on free access for UN inspectors, he voiced confidence that solidarity would be repeated in a declaration expected to be approved today. Russia and France, both permanent members with veto power, oppose resort to force and have criticised Mr Butler.

He reported yesterday that the Iraqis stated that no information on any weapons category would be volunteered in future to the UN. There would be other new obstacles to his efforts to ensure the elimination of all weapons of mass destruction. Only a few sites, such as factories, military camps and warehouses, could be entered without restriction.

Nasir Hamdoon, the Iraqi delegate, challenged his report, saying it failed to reflect Baghdad's "readiness to work in the joint programme of technical issues we have agreed upon." He denied there was a stalemate and said Iraq looked forward to another visit by Mr Butler, about January 19.

So-called "presidential and sovereign sites" placed off limits by Iraq include the headquarters but not the branches of ministries and could not be inspected or flown over under any circumstances. Mr Buter said this was "in contradiction of the decisions of the Security Council," but Tariq Aziz, the deputy prime minister with whom he negotiated, called the decision absolute.

He also declined to provide a map of restricted sites, saying this would identify bombing targets for the US. He did agree, however, to test an arrangement whereby a UN inspector and Iraqi "minder" could enter a sensitive site to ensure that movement was frozen and no documents destroyed.

US in pledge on atom smasher

By Frances Williams in Geneva

The US has pledged over $500m to build the world's most powerful atom-smasher at the European Particle Physics Laboratory in Geneva, in an unprecedented deal intended to keep US researchers at the forefront of high-energy physics.

The agreement, to be formally signed in Geneva today, is the first between the laboratory, known by its French acronym Cern, and the US government.

It follows a 1993 decision by the US congress to kill plans for an $11bn Superconducting Super Collider under construction in Texas after $2bn of state and federal funds had been spent.

Prof Christopher Llewellyn Smith, Cern's British director-general, described the pact, concluded earlier this month, as "an historic event" and an excellent precedent for international scientific collaboration.

Cern's Large Hadron Collider (LHC), due for completion in 2005 at a cost of SFr2.6bn ($1.85bn), is being built in an existing 27km accelerator tunnel that spans the Swiss-French frontier.

The LHC will allow scientists to accelerate protons at rates near the speed of light, colliding them at energies seven times greater that the most powerful existing accelerator, the Tevatron at the US energy department's Fermilab. Results of the collisions will allow physicists to explore the structure of matter and energy in unprecedented detail.

"We may obtain a deeper understanding of the origins of the universe and how the fundamental building blocks of matter are assembled," Federico Peña, US energy secretary, said earlier this month in Washington.

About a quarter of US high-energy physicists are expected to do research at the LHC when it is completed. More than 550 US scientists are already collaborating on the design and construction of the components for the giant detectors inside the LHC, alongside 3,500 other scientists and engineers in 45 countries, including Japan, Canada, Russia, India and Israel.

The two detectors, five storeys high and weighing thousands of tons, will record the shower of subatomic particles from the collisions, occurring at the rate of 1bn a second.

The US energy department is providing $450m for materials and services provided by three of its national laboratories, including Fermilab; the National Science Foundation will contribute the rest of the money for components.

Prof Llewellyn Smith said the US contribution would enable Cern to complete the LHC three years earlier than would otherwise have been possible, and to "allow construction of much better experiments".

Israel defiant on troop withdrawal

By Judy Dempsey in Jerusalem

Madeleine Albright, US secretary of state, yesterday failed to secure a timetable for an Israeli troop withdrawal from the West Bank or agreement on how much land would be handed over by Israel to the Palestinians.

After talks in Paris with Benjamin Netanyahu, the Israeli prime minister, and later in London with Yassir Arafat, president of the Palestinian Authority, Washington has given Israel more time to discuss the redeployment with the cabinet.

This is despite pressure from Mrs Albright who said she wanted progress by the end of the year, specifically on issues related to Israel establishing a safe corridor between the West Bank and Gaza, opening an airport and sea port in Gaza and implementing the long-delayed second Israeli redeployment from the West Bank.

Israeli officials insisted there would be "no safe corridor" between Gaza and the West Bank. "We will not accept any extra-territorial link. The Palestinians can use Israeli roads," an official said.

After her talks in Paris, Mrs Albright said 1997 had not been a good year for the peace process, adding Mr Netanyahu and Mr Arafat must make "very hard decisions" to ensure that 1998 was a good year.

Mr Netanyahu said he would present a "next-step mechanism" to his cabinet but Palestinian officials believe the prime minister is trying to buy more time at the expense of pressing ahead with the peace process.

Mr Netanyahu did not say what this mechanism consisted of, but said he would unveil his intentions in mid-January.

Israeli officials said Mr Netanyahu wants first to push through ambitious budget expenditure cuts before putting a new redeployment plan to the cabinet.

The budget, due to be debated in the Knesset by the end of this month, could face some opposition from within the cabinet. But finance ministry officials said they had already secured support in principle for the budget which aims to reduce the budget deficit to around 2.4 per cent of gross domestic product.

"There is always some excuse for putting off the redeployment," a Palestinian official said. "If it is not the budget, Netanyahu can always blame the nationalists for blocking progress. Frankly, I'm not so sure he wants to do any troop pullback."

Israel has repeatedly said that even if the cabinet agreed to a redeployment, it would not be implemented for a further six months. "We want to make sure that the Palestinian Authority will crack down on terror," an adviser to Mr Netanyahu said.

Mr Arafat has been cracking down on Hamas, the Islamic Resistance Movement whose military wing claimed responsiblity for the July and September bombings in Jerusalem.

But yesterday Mrs Albright presented a detailed list of demands to Mr Arafat drawn up by Mr Netanyahu's advisers. It spelled out what the PA had to do to dismantle "the infrastructure of terrorism." She also said she would recommend to Bill Clinton, US president, that he meet both Mr Arafat and Mr Netanyahu in Washington next month.

Human test for new cancer drug

By Daniel Green in London

A drug developed from the internationally co-ordinated Human Genome Project is to be tested on patients from next month.

MPIF-1, for cancer patients, is the first drug to emerge from the project to be tested on humans, said William Haseltine, chief executive of the drug's discoverer, US biotechnology company Human Genome Sciences.

HGS was one of the first private sector participants in the Human Genome Project, which aims to uncover all the building blocks of human genes.

The project began in 1990 and is unlikely to have completed its work until well into the next decade.

In animal tests, MPIF-1 has been shown to prevent most of the damage caused to bone marrow by standard cancer chemotherapy drugs.

If it works in people, it would allow more powerful doses of tumour killing drugs to be used over a longer period.

Cancer chemotherapy kills growing cells such as tumours, but also damages bone marrow, which grows into the many different cells that make up blood.

Chemotherapy causes a wide range of blood disorders such as anaemia, and so can only be used a few times before it causes side effects.

Dr Haseltine said in mice without MPIF-1, the bone marrow was destroyed after four doses of chemotherapy, but almost entirely protected with MPIF-1 present.

It is a natural protein that seems to work by briefly stopping the growth of bone marrows cells so that the chemotherapy drug ignores them.

The drug lasts only a short time in the body and, according to Dr Haseltine, "the bounce back [or blood cell production in the bone marrow] is strong".

The drug is not likely to prevent other chemotherapy side effects such as hair loss and digestive system problems.

The first trials will be on healthy volunteers, to check for side effects.

If it passes that stage, it would then be tested in varying doses on patients, to measure which does is most effective, before being put into large scale trials required by health regulators before granting approval to market a new drug.

MPIF-1 was discovered through a process of studying roughly 300 genes that influence the production of blood cells.

Some 23 candidate genes were identified, and the protein produced by one was eventually chosen because of its apparent lack of side effects.

MPIF-1 "is just the tip of a very large iceberg of HGS's potential therapeutic products based on genome technology," said the company.

Dr Haseltine said that a second protein should go into clinical trials over the next few months.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Prices for Trading on 18.12.97 | Final Prices for Trading on 21.11.97

½-hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	48.44	18.65	19.30	1.12
0100	48.44	34.11	34.76	1.12
0130	48.44	34.11	34.76	1.12
0200	48.44	34.11	34.76	1.12
0230	27.09	20.68	21.33	1.12
0300	48.44	18.65	19.30	1.12
0330	48.44	18.65	19.30	1.12
0400	25.99	18.65	19.30	1.12
0430	25.99	18.49	19.14	1.12
0500	25.89	11.02	11.02	0.00
0530	13.70	10.46	10.46	0.00
0600	13.70	10.47	10.47	0.00
0630	22.77	19.40	20.04	1.12
0700	24.40	31.31	31.96	1.12
0730	31.25	30.25	30.90	1.12
0800	38.03	30.25	30.90	1.12
0830	41.83	30.25	30.90	1.12
0900	46.74	33.42	34.07	1.12
0930	52.65	33.42	34.07	1.12
1000	52.64	59.58	60.23	1.12
1030	52.63	59.58	60.23	1.12
1100	41.85	33.42	34.07	1.12
1130	38.06	37.32	37.97	1.12
1200	38.05	37.32	37.97	1.12
1230	38.03	37.32	37.97	1.12
1300	38.02	37.32	37.97	1.12
1330	38.01	37.32	37.97	1.12
1400	38.01	32.91	33.56	1.12
1430	37.78	32.91	33.56	1.12
1500	33.59	32.91	33.56	1.12
1530	37.79	32.91	33.56	1.12
1600	46.47	32.92	33.57	1.12
1630	45.68	49.18	49.99	1.12
1700	77.78	47.83	49.19	1.12
1730	90.74	84.01	85.47	1.12
1800	88.17	83.77	85.16	1.12
1830	58.22	49.10	50.05	1.12
1900	48.81	48.97	49.68	1.12
1930	42.14	41.51	42.17	1.12
2000	38.03	38.81	39.48	1.12
2030	30.54	32.61	33.25	1.12
2100	31.12	32.61	33.25	1.12
2130	30.11	30.25	30.90	1.12
2200	24.40	30.25	30.90	1.12
2230	22.77	19.56	20.21	1.12
2300	24.40	23.15	23.80	1.12
2330	10.50	11.97	11.97	0.00
2400	10.50	10.47	10.47	0.00

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of optimising the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC via the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited.

NEWS: THE AMERICAS

US trade deficit records sharp fall

By Nancy Dunne in Washington

The US monthly trade deficit in goods and services shrank by nearly 13 per cent in October from \$11.1bn to \$9.7bn, as US exports rose by 2.4 per cent despite lost markets in Asia.

Lee Price, acting under-secretary of commerce, attributed the improvement to the "underlying competitiveness" of the economy. Imports this year are expected to pass the \$1,000bn level for the first time, but growth of exports is outpacing import growth.

In the first 10 months exports rose 10 per cent, while imports were up 9 per cent. The unexpected jump in exports in October included large gains in car parts and capital equipment. Imports, which rose by 0.4 per cent, included a \$400m increase for oil.

Mr Price said exports were strengthening where foreign economies were improving – Canada, Mexico, the rest of Latin America. "Growth has revived in major European economies this year, and the growth rate of US exports to that region has accelerated from 4 per cent last year to 10 per cent this year."

The merchandise trade gap with Japan rose by 14 per cent to \$5.87bn. It was \$46.37bn for the first 10 months, up from \$39bn for the same period last year. "Weak demand in the Japanese economy helps account for the 3 per cent decline in our exports to Japan so far this year. We hope the recently announced stimulus package there will boost demand," said Mr Price.

The politically fraught deficit with China narrowed by almost 6 per cent to \$5.19bn, driven by record US exports.

Andrew Szamosszegi of the Washington-based Economic Strategy Institute said the export gains were not sustainable. "The effects of the Asia crisis on the deficit will kick in in about three months and we will have another year of bad numbers," he said.

Mr Jerry Jasinowski, president of the National Association of Manufacturers, said the "Asian flu" has its upside, because it will deter the Federal Reserve from raising interest rates. "It will cause significant coughs and sniffles but not enough to put the economy in bed," he said.

A survey of the NAM's executive board found most companies expect the economy to grow from 2.1 to 2.6 per cent next year.

Satellite TV battle in Latin America is over a potential audience of 45m homes

Big guns target a sky wars victory

As two media groups pour \$1bn each of investment into Latin America's nascent satellite television market, the region's sky wars are heating up.

On the one side are three media giants combined in Sky Latin America: Rupert Murdoch's News Corporation, Mexico's Grupo Televisa and Brazil's Organizações Globo.

On the other are three lesser media lights: the Cisneros group of Venezuela, Grupo Abril of Brazil and Multivisión, a family-run Mexican media company – and Hughes Electronics of the US with a majority stake. Together they make up Galaxy Latin America, beaming Hughes's DirecTV service to the region.

The battle is over an audience for pay television in Latin America that Galaxy estimates at a potential 45m homes, half the number now with a television set. Direct-to-home satellite television has so far captured just 1 per cent of this market.

The Galaxy group started its service first. It claims 300,000 subscribers, leadership in the main markets of Brazil and Mexico, and has active operating partnerships in other countries in the region.

Sky claims 150,000 subscribers in Mexico and Brazil, the only countries where it is now operating – though start-up is due soon in Colombia – and says its subscriber base is growing faster than the competition.

In lavish events on December 8, a \$250m satellite was launched from Cape Canaveral for Galaxy, its second, and Sky opened a \$140m satellite broadcast centre in Miami.

Galaxy says its new satellite, once operating next year, will reach all 22 countries in Latin America. "Our technology is way ahead of Sky's," said Ernesto Vargas, who heads Multivisión's MVS Televisión subsidiary.

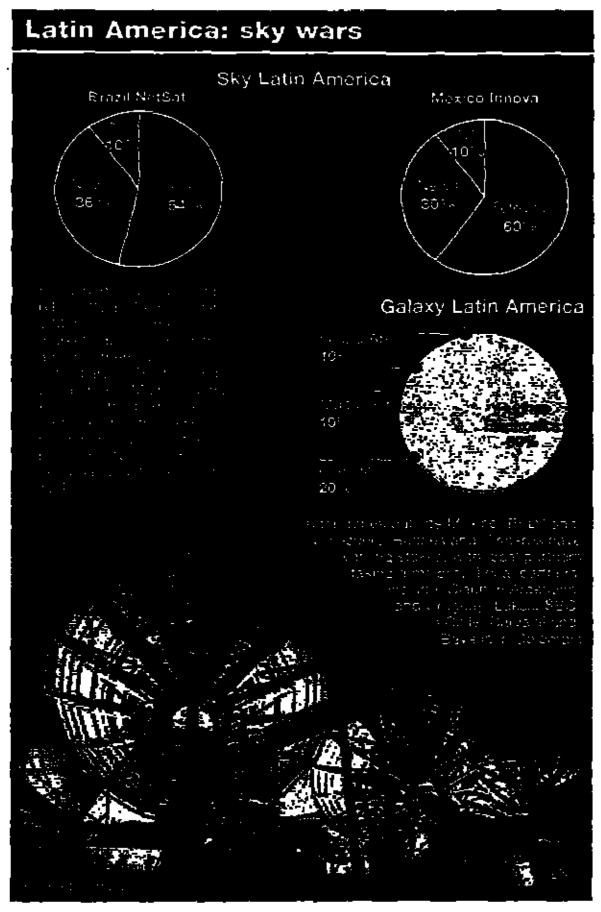
Moreover, Sky has had satellite problems. A Chinese rocket carrying an Intelsat satellite to beam Sky services into Latin America exploded at launch in February last year. One of two Sky satellites – Panamsat VI – is not functioning as hoped. In the short term, this may not affect its plans, but may limit the development of future services.

Despite this, Sky denies Galaxy has a technological advantage. Sky has 12 satellite transponders (each capable of carrying roughly one conventional analogue channel) aimed at each of the four main regions in Latin America.

Miro Copic, Sky's Miami-based vice-president for marketing and sales, said that each of its transponders can deliver 10 digital channels. But outside experts think some channels must be audio only, since current technology cannot yet compress 10 video signals on to one transponder.

Once its new satellite is operating in the new year, Galaxy says it will have two sets of 22 transponders – capable of delivering seven video channels apiece – covering the whole region. According to Kevin McGrath, GLA chairman, the new satellite alone should be able to deliver 100-130 video channels in each of its two beams.

Latin America: sky wars



But Sky says its use of the worldwide broadcasting standard DVB will give it access to developments around the world that will be closed to DirecTV, which uses its own DSS standard.

"This provides economies of scale and a technology that a lot of companies can design against," said Mr Copic. "It's like Betamax and VHS – and we've got VHS," he said, referring to the battle for the worldwide video market that was lost by Sony's Betamax standard.

Over time though, this is unlikely to be critical, said Leonardo Simpser, media analyst for Deutsche Morgan Grenfell in Mexico City. More important, he argued, will be content.

"In programming, Sky has the advantage," he added. This is because of Mr Murdoch's ownership of Fox, and the presence of Televisa and Globo, the two biggest programme makers in Latin America, both with extensive programme libraries.

"The right mix for global media companies is to take the best of our international programming and put it beside a heavy amount of locally produced content," Mr Murdoch said in Miami this month.

His competitors are quick to respond. "When you are talking about 150 programmes, how much difference can there be?" asked Mr Vargas of Multivisión. "The competition is going to be on the basis of price, service and quality."

He is nonetheless battling in Mexico for the right to ensure Televisa's terrestrial channels can be delivered through the DirecTV screen-top box.

Mr McGrath of GLA argued that the "broadcast business is not the same as the pay television business". But, in any case, Cisneros and Multivisión programmes, along with exclusive material – for example, its "Disney Weekend" and Spanish league soccer – showed it was not conceding the content battle.

The question some observers have is whether incomes are high enough to sustain direct-to-home satellite television in the region.

"I'm not too excited about the DTH market in Latin America because of the income level. This is not England where BSkyB has been so successful," said Mr Simpser of DMG.

Mr McGrath insisted the battle is not just between Sky and Galaxy, but also with other types of pay television services, such as cable and microwave systems, which often deliver poor quality pictures. In any case, Galaxy would break even – depending on how it is defined – with 1.3m-1.8m subscribers, he declared.

"The point is, that it's a small number compared with the overall market. It's a good business. It's a business that should break even at a relatively early point and should provide a good return to our shareholders."

[This begins a series on media markets in Latin America]

Stephen Fidler

NEWS DIGEST

Watchdog gives Boeing all-clear

Boeing is not delivering unsafe aircraft, the US aerospace industry's chief watchdog said yesterday, although company insiders claimed production difficulties were far from over.

Efforts to speed up output were dogged by inefficiency and low morale, one employee said. "Harry Stonecipher [group president and chief operating officer] said on Monday we were as inefficient as we could get, but we can get a whole lot worse yet, and morale is as low as it can be."

The Federal Aviation Administration issued yesterday's reassurance after revelations it had warned the company in May that the environment in which it was expected to inspect aircraft was "out of control." A letter sent in October stressed the complaint related to timing and flow of paperwork and not production and quality systems but the news sharpened scrutiny of Boeing's difficulties. The company was improving compliance with its internal quality controls, the FAA said. Calls to Boeing were not returned yesterday. *Christopher Parkes, Los Angeles*

■ CABLE TELEVISION

Dispute over subscriptions

US cable television operators and consumer groups clashed yesterday over whether the industry's regulator should freeze soaring subscription rates.

At a special hearing held by the Federal Communications Commission, the chief telecommunications and broadcast regulator, cable industry officials admitted rates were increasing faster than inflation, but said it was primarily due to growing programming costs. The Consumers Union has petitioned the FCC to intervene, saying that big cable companies are exploiting their local monopolies and should be forced to hold down prices.

The hearing follows the publication of new data from the FCC showing subscription rates rising by close to 10 per cent in the past year.

The FCC has the authority to regulate most cable rates until early 1999 when the market is due to become fully deregulated. *Mark Suzman, Washington*

■ BOLIVIA-BRAZIL GAS PIPELINE

Bank set to agree finance

The World Bank was last night set to approve the financing for the construction of the 3,150km Bolivia-Brazil gas pipeline, one of Latin America's biggest infrastructure projects.

The cost of the project is put at around \$2bn and this week saw the last round of intense negotiations in Washington and Rio de Janeiro on its financing. As well as the World Bank, backers include the Inter-American Development Bank; the Export-Import Bank of Japan and the European Investment Bank, which is making its first investment in Brazil. Shareholders include Petrobras of Brazil, BG from the UK, Enron Development of the US, BHP Petroleum of Australia and El Paso of the US.

The pipeline runs from the Bolivian interior across the Brazilian border at Puerto Suarez-Corumbá to the far southern port city of Porto Alegre. The first gas is expected to be delivered to customers in São Paulo by December 1998. *Joel Kibazo, London*

NEWS: WORLD TRADE

NEWS DIGEST

Japanese car importers suffer

Sales of imported vehicles in Japan are forecast to fall for the first time in five years, highlighting the difficulties faced by foreign carmakers in the Japanese market.

The Japan Automobile Importers' Association expects imported vehicle sales to drop nearly 16 per cent this year to 360,000 units. It said the fall stemmed from a combination of depressed demand, a decline in Japanese reverse imports, intensified competition with Japanese vehicles and the impact of the weak yen on prices.

The sharp decline in imported vehicle sales comes as Japanese exports to the US and Europe, in particular, have risen sharply. Japanese vehicle exports were up 28 per cent in the year to October. Vehicle exports have been a big factor behind Japan's rising surplus with its main trading partners. The situation is likely to intensify criticism that Japan is exporting its way out of recession.

Separately, the Japan Automobile Manufacturers Association forecast that domestic sales would rise 3 per cent next year to 6.88m units. Competition is likely to intensify further as vehicle makers struggle to maintain their position in the market. Toyota, for example, is determined to increase domestic sales and win back 40 per cent market share, which has been its proclaimed goal.

Toyota forecasts its domestic sales will increase 7 per cent to 2.14m units, against its own forecast for an increase in overall domestic sales of 4 per cent. Japan's largest car company believes it will suffer a 6 per cent drop in domestic sales in 1997. *Michiyo Nakamoto, Tokyo*

■ SALMON 'DUMPING'

EU penalises Norwegians

The European Commission yesterday imposed provisional anti-dumping duties on imports of Norwegian farmed salmon from 29 producers. The Commission said the Norwegian exporters had either broken an agreement reached in June to end a dispute over EU imports of Norwegian salmon or had failed to file reports as required by the agreement. The provisional duties, to remain in effect for four months, are 0.32 ecus (36 US cents) per kg on imports of farmed salmon from the 29 Norwegian producers as well as a provisional countervailing duty, used to counter subsidies, of 3.8 per cent. The EU said the 29 producers represented only a small part of Norway's total salmon exports to the EU of about NKr 5bn ($690m) a year. Scottish and Irish competitors earlier this year accused Norway, the world's biggest salmon producer, of flooding the market and depressing prices. Norway rejected the allegations.The row strained relaticus between Brussels and Norway, which is not an EU member. *International Staff*

Boeing and Airbus sweeten offers as decision draws near in contest for $200m deal

El Al in bid to choose jets supplier

By Avi Machlis in Jerusalem

Officials of El Al, Israel's state-owned airline, were last night meeting to choose a supplier for five jets in a deal worth about $200m. Hours before the expected decision, Boeing, the US aerospace manufacturer, and Airbus, its European competitor, were sweetening their offers, according to Joseph Ciechanover, El Al chairman.

El Al will choose between Airbus' A319 and A320 jets, which seat between 125 and 150 passengers, and Boeing's comparable 737-700 and 737-800 models.

Through its acquisition of the new aircraft, El Al aims to boost profitability, allowing it more frequent flights on regional and European routes. The purchase is also part of a recovery plan, following losses of $83m last year.

Earlier this year, El Al - which is earmarked for privatisation - decided to consider Airbus for the first time since 1979. El Al's fleet of 28 aircraft is made up entirely of Boeing jets.

According to sources involved in the negotiations, Airbus' initial offer was slightly less expensive than Boeing's. The US has been putting pressure on the Israeli government to ensure El Al maintains its loyalty to Boeing, a move that has complicated the airline's decision.

Earlier this week, Stuart Eizenstat, US under-secretary of state for economic affairs, urged Israel to choose Boeing. He said Israel had committed to buy US goods as part of Washington's $10bn loan guarantee programme to Israel.

Tzipi Livni, responsible for privatising Israeli government companies, said El Al was forbidden by law to cave in to political pressure. "El Al must make a strictly independent decision based on business considerations," she said.

Mr Ciechanover denied reports that senior Israeli ministers tried to sway last night's vote towards Boeing following pressure from Washington. "Today we are analysing both proposals on their merits," he said.

But Israel's Defence Ministry admitted Yitzhak Mordechai, defence minister, had met El Al officials. "Due to the close ties between the US and Israel," said the ministry, "the defence minister wanted to hear what was motivating El Al's choice".

The ministry added it did not "interfere in the company's business considerations." Never the less, Mr Mordechai plans to meet other cabinet members to discuss the issue.

Airbus, responding to the US pressure on Israel, defended its offer. "When the product is better, you normally don't need lateral pressures," said Alan Dupiech, an Airbus spokesman.

Airbus had wanted to add El Al to its customer list since it lost the 1979 bid, he added.

Volume of exports and imports grows by 7 per cent across the globe in 1997

Vibrant west boosts world trade

By Frances Williams in Geneva

The volume of world trade accelerated by 7 per cent this year compared to 5 per cent growth in 1996, propelled by robust activity in North and South America and the recovery in western Europe, according to estimates by the World Trade Organisation in its annual report published today.

The forecast is based on data available in the summer, as the east Asian financial crisis was breaking, but the WTO's economists say it remains "broadly in line with expectations" for the current year. The full impact of the crisis will not be felt until 1998 and, this year, most of the affected economies will still have grown faster than the world average, the WTO secretariat says.

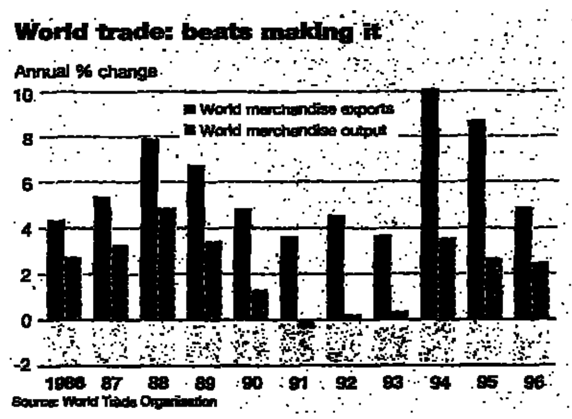
Even so, early data for 1997 shows that the voracious appetite of the east Asian tiger economies for imports was already beginning to slacken. Export growth is likely to exceed import growth this year for the first time this decade, a cause of trade friction that is likely to intensify in 1998.

The slowdown was already apparent in 1996 as Asia's two-way trade lost dynamism compared with rapid growth in previous years. The volume of exports by six east Asian traders – Hong Kong, South Korea, Malaysia, Singapore, Taiwan and Thailand – rose by 7 per cent last year, higher than the world average but less than half the increase in 1995.

The most dynamic region in 1996 was Latin America, as Mexico boosted the value of exports and imports by over 20 per cent, while oil-exporting countries saw big increases in export earnings from higher oil prices.

The report shows little change in the league table of the world's biggest traders in 1996. The US remained the biggest goods exporter and importer, followed by Germany and Japan. On the services side the US was again the biggest trader in both directions, with France the second biggest exporter and Germany the second biggest importer.

World trade: beats making it



Source: World Trade Organisation

In its review of trading developments during 1996 the WTO notes that over 200 anti-dumping actions were notified during the year, the main users being South Africa (30 cases) the EU and Argentina (23 cases each), the US (21) and India (20).

The figures demonstrate the increasing use of anti-dumping measures by developing countries which, like the richer nations, now regard them as a legitimate means of protecting their domestic industries. However, in terms of anti-dumping measures in force, the US is way out front with 311, followed by the EU with 153, Canada (96) and Mexico (95).

Annual report 1997, 2 vols, from WTO Publications, 154 rue de Lausanne, CH-1211 Geneva 21, fax +41 22 739 5792, e-mail publications @wto.org, SFr75.

Telia and EniTel in N Sea venture

By Tim Burt in Stockholm

Telia, the Swedish state telecommunications company, is joining forces with EniTel of Norway to integrate North Sea oil and gas platforms into a new fibre-optic communications network linking Scandinavia and the UK.

The two companies will today announce plans to form an alliance – NorSea Com – that will provide offshore platforms with broadband communications systems for the first time.

At present, such rigs rely on satellite links for their communications. But these have proved inefficient in transmitting large amounts of data such as seismic survey reports.

NorSea Com says the scheme has the backing of large oil companies, including including British Petroleum and Amoco.

Letters of intent have already been signed with BP and Phillips Petroleum to connect their North Sea platforms to the new fibre-optic link between Stavanger and London.

Stein Dale, a spokesman for Telia, said the link would be extended to Aberdeen, the centre of the UK offshore industry, in the future.

"The first platforms linked to this cable from the west coast of Norway to England will be in the Ekofisk field, where there are more than 25 rigs," he added.

The Murdoch field in the UK sector of the North Sea will be the second linked into the system.

Initially, the Swedish-Norwegian joint venture is planning to invest SKr300m ($38m) in laying the cables and providing links to the platforms.

The plan follows more than 12 months of talks between Telia and EniTel – the telecommunications subsidiary of Statnett, the Norwegian state energy group, and 30 regional energy companies.

While also upgrading communication links for the offshore industry, the two companies claim the link could carry a large part of the growing telecommunications traffic between Britain and Scandinavia.

"This will be a very sophisticated fibre-optic system capable of delivering large amounts of data very rapidly," said Mr Dale.

"Demand for such services is likely to rise quickly over the next five to 10 years," he added.

US hits at EU threat of ban on meat imports

By Nancy Dunne in Washington and Michael Smith in Brussels

The US yesterday reacted with anger to a threat by the European Union to ban imports of fresh US meat and poultry. US officials said the move "appears to be politically motivated" and might well sabotage a bilateral veterinary standards pact under negotiation.

In what threatens to become a big trade clash, EU veterinarians have said there are "very serious deficiencies" in the US programme to test for residues of antibiotic, antibacterial and other substances in live animals and animal products.

US officials hope the tensions will be eased when Dan Glickman, the US agriculture secretary, and Franz Fischler meet next month to discuss agriculture issues. Meat trade will be at the top of the agenda.

Mr Paul Drazek, assistant to Mr Dan Glickman, said the EU inspectors did not discuss their findings with their US counterparts.

"If we had had an opportunity to sit down and talk before the report, we could have worked out an understanding," he said. "We have questions about their systems too, especially with regard to dairy produce."

Both sides have agreed to undertake "equivalency" discussions on residue standards next year. These would be negotiated so that each side could accept the other's products based on safety standards both sides aprove.

The US last week announced a ban on European beef and lamb on the grounds that it had doubts about the surveillance programmes of BSE.

Up to $100m of US meat exports could be at risk from the threatened EU ban.

The EU imports $50m of horsemeat, $40m of beef and $10m of pig meat from the US each year.

The European Union has given the US a six month ultimatum to strengthen its meat inspection controls or face an import ban, the European Commission said yesterday.

"The US would have six months to increase their levels of control. If this doesn't happen, the recommendation would be to ban fresh meat and poultry," it said. The EU plans to send out an inspection team before the end of June to check progress.

The row is the latest in a series over food safety. The EU already bans some US beef exports which are hormone-treated, a stance which the World Trade Organisation says breaks world trade rules.

Push to end US-Japan air talks impasse

By Michiyo Nakamoto in Tokyo

A controversial proposal to allot extra slots to US airlines at Tokyo's international airport is under consideration as a means to break the impasse in ongoing US-Japan aviation talks.

Bilateral meetings in Tokyo this week failed to produce an aviation accord. The Transport Ministry said progress had been made towards a deal but final agreement was unlikely this year. Talks are set to resume in Washington next month.

Tokyo is studying the possibility of transferring unused slots held by Federal Express, the US cargo carrier, to other US airlines as a means to satisfy US demands for extra slots at Narita. Other foreign carriers are expected to object to the proposal.

US demands for extra slots at Narita have been one of the sticking points dogging the aviation talks, which have dragged on for several years. The Japanese authorities have insisted no additional slots are available at Tokyo's international gateway, which has only one runway.

Federal Express is believed to have several slots it does not use fully and which could be withdrawn from the cargo carrier under new rules implemented in October. The rules dictate Narita slots used at a rate lower than 80 per cent be reclaimed for distribution to other carriers.

International Air Transport Association rules specify the slots be redistributed in a fair manner by an independent co-ordinator, but the Japanese Transport Ministry believes it could distribute the slots at its own discretion without breaching IATA rules.

If the ministry re-distributes the slots to US carriers, it would be possible to address US demands for extra slots at Narita otherwise not able to be offered until a new runway is completed.

Such a move is likely to anger other carriers, including European, Japanese and US incumbent carriers, which would be missing out on valuable slots involving lucrative routes.

"If they try to pull this off, they are going to have a lot of serious complaints," says one representative of a Japanese carrier.

"This proposal, if it's true, seems rather novel in that it doesn't appear to follow the IATA guidelines," says David Mishkin, vice-president of international affairs at Northwest Airlines, an incumbent US airline. "We would like the allocation process to be transparent and non-discriminatory," he notes.

Association of Lloyd's Members welcomes settlement over policies written decades ago

Equitas agrees $990m reinsurance deal

By Christopher Adams, Insurance Correspondent

Equitas, the company which last year took responsibility for old losses from Lloyd's of London, has agreed a £600m ($990m) deal with the insurance market to reinsure additional liabilities.

The latest agreement covers losses that were previously re-insured with a company called Lioncover.

The losses stemmed from disastrous underwriting on syndicates managed by the PCW managing agency during the 1980s and, as with the rest of Lloyd's old liabilities, relate mainly to pollution and asbestos claims arising from policies written decades ago.

For nearly 3,000 Names, individuals whose personal assets had backed the PCW syndicates, the deal ends months of uncertainty. Lloyd's has been negotiating terms with Equitas for much of this year. The agreement was delayed in part because of resistance from directors of Lioncover.

Lloyd's said yesterday that two directors, John Gaynor and Matthew Pincent, had resigned. It declined to comment on speculation that they wanted Lioncover to continue handling the PCW business.

The premium paid will boost Equitas's cash surplus by £70m. At March 31, this stood at £617m. Michael Crall, chief executive of Equitas, yesterday wrote to former Lloyd's Names reassuring them that it was not assuming a dangerous level of risk. "It's fair to say that some Names were concerned about Lioncover. But the bulk of the business here is nothing we're not familiar with," he said.

The Association of Lloyd's Members, which represents several thousand Names, welcomed the agreement, saying Equitas had "struck the right bargain".

The liabilities of Lioncover were not transferred to Equitas under last year's recovery plan because Lloyd's was still trying to resolve long-running disputes over money owed by reinsurers who had underwritten a portion of the business. Mr Crall's letter said that these disputes had been substantially resolved.

In addition, the Lioncover premium was about £80m less than had been originally estimated in the reserving exercise that formed part of Lloyd's recovery plan. The letter said Lioncover would add about £520m to Equitas's investment portfolio. None of this would be invested in equities, but would produce income immediately.

Farmers' plight is confirmed

By Maggie Urry and George Parker in London, and Michael Smith in Brussels

European Union statistics issued yesterday confirmed the plight of UK farmers, showing that agricultural incomes have fallen by 23.1 per cent this year compared with an average decline throughout Europe of 3.1 per cent in real terms.

Farmers in the Netherlands have enjoyed rises of 6.7 per cent on average, while incomes of farmers in Germany were up 3.9 per cent, according to figures by Eurostat, the European Union's statistical arm.

Figures from the UK agriculture ministry estimated farm incomes would fall by 37 per cent in real terms in 1997, while the National Farmers' Union, using a different basis, reckoned the fall to be 47 per cent.

Welsh farmers' leaders yesterday gave evidence of their plight to a hastily convened meeting of the Welsh affairs committee of the House of Commons. The region's farming industry is particularly dependent on livestock because of the terrain and climate, and 80 per cent of Wales is deemed "less favoured" by the EU.

Welsh hill farmers' incomes, which averaged about £10,000 ($16,500) in 1996, could halve in the current year, witnesses said. Welsh farmers were the first to blockade ports in an attempt to halt imports of beef which they believe are undercutting UK prices. The protests spread across the UK in the last few weeks.

Asked by the committee if the union leaders could stop members protesting, Mr Robert Griffith Parry, president of the Farming Union of Wales, said farmers "are fighting for their survival" and the union could not control them.

Both the NFU and the FUW put the bulk of the blame for the slump in incomes on the rise in the value of the pound against other European currencies. This has cut the sterling value of subsidy payments set in Ecu and has encouraged imports.

EU farm incomes*

	% change 1996/1997
Netherlands	6.7
Germany	3.9
Belgium	2.1
France	0.3
Denmark	−1.0
Lux.	−1.3
Greece	−2.6
Spain	−2.7
Rep of Ireland	−3.5
Finland	−3.7
Italy	[illegible]
Sweden	−5.0
Austria	−8.4
Portugal	−13.7
UK	−23.1

* Average income from agricultural activity for EU member states as a whole measured as real net value added at factor cost per annual work unit. Source: Eurostat.

Major deplores shift in party's EU stance

By John Kampfner, Chief Political Correspondent

John Major, the former Conservative prime minister, has attacked the Eurosceptic position of William Hague, his successor as party leader, in committing the Conservatives to oppose European monetary union for up to 10 years. Mr Major said his "wait and see" policy on UK participation in a single currency had been copied by Tony Blair, the Labour prime minister, and his government.

He also derided Eurosceptic MPs and newspaper editors for trying to force him to toughen his stand in the final months of his administration, which ended when Labour won the May general election. "My attitude wasn't weakness, it was the only tenable position," Mr Major told the Spectator magazine.

Noting that some of the biggest defeats among candidates at the general election were suffered by deeply Eurosceptic Conservatives, he said: "The country, while lukewarm about Europe, is not fanatically anti . . . There were some people who made the whole Tory [Conservative] party seem mad."

Mr Major said of the present Conservative party leadership's tougher position on Emu: "I wouldn't have ruled it out for 10 years."

Morgan fined $578,000 by stock exchange

By George Graham, Banking Editor

J.P.Morgan, the US investment bank, yesterday admitted breaking a London Stock Exchange rule against manipulating the stock market index and agreed to pay a fine of £350,000 ($578,000).

The fine followed a sharp fall in the FTSE 100 index on the last Friday of November, when two Morgan traders, who were managing a large over-the-counter option position, sold a basket of shares into the market at the end of the day.

At the time many funds had pulled their orders from the exchange's electronic order book, and mopped up orders in stocks such as SmithKline Beecham and Glaxo Wellcome were left on the system at prices below the previously traded price.

The result was a 35-point fall in the index in two minutes. Morgan suspended the two traders, who have not been named, and yesterday said they had been fired.

Exchange rules prohibit member firms from trading in a security which is a component of an index with the sole intention of moving the value of the index.

The exchange said yesterday it recognised Morgan's "prompt and thorough reaction". It also published a proposed rule change to widen the definition of market manipulation. Dealers said the exchange wanted to send a tough message ahead of the end of the year.

Some managers are worried that prices could move erratically in a thin market on December 31, with some traders trying to move prices in the last minutes to affect year-end portfolios.

The exchange, which will close at 12h10 on December 31, has published a formula it will use to judge whether closing prices on December 31 are unrepresentative. Aberrant prices will be ignored for index and valuation purposes, though the trades will stand.

UK NEWS DIGEST

Hyundai backs Scottish project

Hyundai, the South Korean electronics group, confirmed yesterday that its big factory investment in central Scotland will be delayed for up to a year in the wake of South Korea's economic crisis. The company said in a written statement that it was fully committed to the Scottish project but would not proceed with equipping the plant until the Korean economy improved.

"The company's fundamental strategic need for semiconductor capacity in Europe remains unchanged, as do its reasons for choosing Scotland," it said.

Investment in manufacturing equipment and tooling may be delayed for a period of up to 12 months, pending recovery in the financial markets in Korea. The plant had been due to open late next year. Construction will continue as planned but the project will be halted when building works are completed next spring.

"Any delay in equipping and commissioning the new plant is a disappointment but we recognise the scale of the difficulties currently facing Hyundai," said Donald Dewar, chief minister for Scotland in the UK government.

■ PAY TELEVISION

Digital service set for licence

British Digital Broadcasting, the pay television service that will compete with British Sky Broadcasting from next year, is expected to gain its long-awaited broadcasting licences from regulators today. BskyB is the satellite network in which Rupert Murdoch's media conglomerate has the biggest stake.

BDB, which is owned jointly by Carlton Communications and Granada Group, has agreed changes, including the shortening of its seven-year programme supply contract with BSkyB to five years to win approval from the European Commission. Gerry Robinson, chairman of Granada and BSkyB, is expected to step down from the BDB board to satisfy regulatory concern at links between BDB and BSkyB, which will supply it with three premium sports and film channels.

The Independent Television Commission is to disclose that it has granted three 24-year licences to BDB covering three bands of frequencies. These will allow BDB to broadcast on digital terrestrial signals across the UK.

The company is working on technology that may allow it to increase the number of channels it broadcasts on from 15 to 18. *John Gapper, London*

■ CENTRAL BANK INJUNCTION

Currency trader held by police

Currency trader Robert Young, who was banned last week by the Bank of England, the UK central bank, from accepting deposits from investors, has been arrested by Jersey police and is now on remand in the island, the largest of the Channel Islands between England and France.

Young, 43, was already on £10,000 bail from Jersey's Royal Court where he denies 26 fraud charges connected with an alleged currency dealing fraud involving claimed losses of $27m (£16m).

The Jersey authorities decided that the Bank injunctions placed Young in breach of his bail terms. He was arrested on Wednesday at Nottingham in the English Midlands.

The Bank injunctions, taken out in the High Court in London against Young, Marish Chobrzynski, Mark Bullen and First Merchant Ltd, restrained all the defendants from accepting deposits and from making false, misleading or deceptive statements to induce deposits in contravention of the Banking Act 1987. *Philip Jeune, Jersey*

■ PACKAGE HOLIDAYS

Competition endorsement likely

The government is today expected to publish the findings of the Monopolies and Mergers Commission inquiry into the £7bn ($11.5bn) package holiday industry. The commission is believed to have endorsed the industry's structure as promoting competitive prices and a wide choice of holidays – a conclusion which will be welcomed by Thomson and Airtours, the two largest UK tour operators.

They account for almost half the package holidays sold in travel agents and own, respectively, Lunn Poly and Going Places, the two largest travel agency chains. Instead, the MMC is believed to call for ties between tour operators and travel agents to be made explicit by requiring travel agents to publicise those links.

The MMC is also thought to recommend an end to the "most favoured customer" clause in agreements between travel agents and tour operators.

This obliges a travel agent to offer the biggest discounts solely on the holidays of the tour operator with which it has an agreement. *Scheherazade Daneshkhu, London*

'Auspicious' start for N Ireland jobs scheme

With less than four months to the launch of the UK government's Welfare-to-Work programme, a small Northern Ireland training centre this week advertised for its first 20 recruits.

Austins, a training services company owned by the Londonderry store of the same name, is expected to be joined in a few days by Short Brothers, the Belfast Aerospace company and Northern Ireland's largest private sector employer.

The Northern Ireland Economic Council, an independent think-tank set up to advise the UK government, says conditions for active intervention in the labour markets "have not been so good for some time".

The government's so-called New Deal aims to place about 100,000 young long-term unemployed people in the UK either with a private-sector employer, in the voluntary sector, on an environmental taskforce or in training and education.

In Northern Ireland, the government's Training and Employment Agency estimates that 7,000 18-24 year olds will take up the offer and 2,700 aged 25 and older. They risk losing state benefit payments if they refuse.

Paul Gorecki, director of the NIEC, says the tight labour supply – with unfilled vacancies at record levels and skills shortages in some areas – provides an "auspicious" backdrop.

Blair's 'New Deal' must abide by local laws against discrimination

Since 1990, the numbers employed in Northern Ireland have risen faster than other UK regions, and the fall in unemployment has been larger and the growth in GDP bigger. Short-term unemployment is now close to the UK average, and below the EU average.

However, long-term rates remain higher than in other UK regions. More than 23 per cent of unemployed have been out of work for 5 years or more against fewer than 5 per cent for the UK. In Northern Ireland more than 60 per cent of long-term unemployed are Roman Catholic, although only 41 per cent of the region's workforce is Catholic.

Causes include the long-term decline of traditional industries, and the difficulty of crossing the sectarian divide to find work.

Training bodies are worried that the New Deal will simply be used to replace existing programmes because the government has promised a total overhaul of training policy.

The business community says the programme should not become a government scheme to reduce unemployment figures artificially. Nigel Smyth, director of the Confederation of British Industry in Northern Ireland warns that "employers do not want conscript labour".

Bill McGinnis, chairman of the Training and Employment Agency, says government lawyers are examining the legislation to ensure it complies with Northern Ireland's Fair Employment rules to combat anti-Catholic bias in the workplace.

There is confusion about whether employers can advertise for recruits, given that a disproportionate number of the target population are likely to be Catholic.

"Any time you give some people preference over others, you come up against the Fair Employment Act," said Derek Smyth, human resources manager at the Londonderry plant of Dupont, the US chemicals company which, like other companies, wants to avoid a possible legal challenge were it to recruit under the New Deal programme.

Dupont, he says, is unlikely to participate. "When we need people, it's for a specific task. We're not looking for government handouts," says Mr Smyth.

John Murray Brown

Communist or capitalist, it is business as usual for a Czech company making sausage casings, writes **James Buxton**

Changes only skin deep

A Czech company, whose management and employees have worked under both communism and capitalism, is playing an important part in a UK company's drive to expand its market share in Europe. To the delight of its new owners, it has doubled gross profit margins in the past two years.

Cutisin, headquartered in Jilemnice, near the Czech Republic's border with Poland, is one of a small number of businesses worldwide that make casings for sausages.

Its factories produce long sticks of casing from the protein collagen, which are then shipped to food manufacturers to be filled with sausage meat.

Cutisin was privatised by the Czech government in the early 1990s and a majority stake was sold to Teepak, the US company. In 1995 Teepak was bought by Devro, a quoted Scottish casings company, which thus became one of the world's biggest makers of sausage skins.

The transformation of Cutisin as communism has given way to capitalism has highlighted the differences between the two systems, but managers say that many aspects of the business have not changed, and that Devro respects what Cutisin achieved under communism.

Peter Raschik, Cutisin general manager since 1990, was posted involuntarily to the company from university in 1967. In those days, he says, the company was devoted purely to production.

"We just made the casings. We were given a schedule of when to expect freight trains to arrive and take our output," he says. The trains delivered it to sausage manufacturers in Czechoslovakia and the other Comecon countries, including the Soviet Union.

"But getting orders was not our responsibility," he says. "Sales were arranged between our parent body, a state trading company, and state-owned food companies here in the then Czechoslovakia and in other eastern bloc countries. All communication with our customers was supposed to go through a central organisation."

Cutisin did have some informal links with its Czech customers. When, as technical director, Mr Raschik developed a new type of sausage casing, he took it to Czech customers to test before ordering. But he never dealt with export customers. Now, under Devro, contact with customers is much closer.

Cutisin co-operates with customers in devising new products, rather than developing a new product before finding out whether it is what they want.

Beneath the exterior is a work ethic, a skill level and a drive that is quite outstanding

It does not, however, handle sales and marketing. Decisions on new product lines and marketing are taken by a business development committee, on which Mr Raschik sits, at Devro's head office near Glasgow.

Jiri Jirasko, who has been Cutisin's finance director since 1986, stresses that even under communism the company had been expected to make a profit. But Cutisin saw only the cash from domestic sales, not from exports, and the profit was retained by the holding company rather than by the subsidiary.

Today it has a much more realistic profit and loss account. It handles all its own cash but still has to transfer its profits to Devro.

Both managers say that the main difference in the character of the company is the strong motivation that now exists to make a profit.

They identify two principal drivers. Firstly, the free market system, they say, means that the linkage between manufacturing, sales and profits is far clearer. Under communism, prices were permanently fixed and, whether a product was popular or not, there was little incentive to step up production.

Secondly, personal rewards have been greatly improved. Senior executives at Cutisin are much better paid than they were under communism, when there was only a small difference in pay between managers and shop floor workers.

Furthermore, until the mid-1980s, everyone in the plant had to work three days a month in production. "The only person I never saw doing that was the general manager," says Mr Raschik.

Despite the rigidities of the old system, Cutisin made considerable progress under communism, particularly in technical innovation. In 1953 it became the first company in the world to produce edible collagen. Its Jilemnice factory, built in 1963, makes collagen casings by a different, but not inferior process to Devro.

Under communism it increased its productivity by one or two per cent a year through small improvements in the manufacturing process. Its engineers often had to make their own manufacturing equipment.

Graeme Alexander, Devro's chief executive, says: "At first glance, what was built in the ex-communist bloc tends to be old-fashioned and seems not to be up to standard. But once you get beneath the exterior you find among the people a work ethic, a skill level and a drive that is quite outstanding."

Cutisin's gross margins have improved from below 30 per cent to more than 50 per cent in less than two years since coming under Devro's ownership. This is partly because of a big increase in sales to east European countries and the development of markets in western Europe.

To meet rising demand it has reduced its summer and maintenance shut-down periods, cut closures for Christmas and New Year and now produces round the clock.

Turnover has risen from £18m in 1995 to £24m in 1996 97.

In spite of these changes in business practices, workers say they do not notice much difference, says Viktor Sebik, operations director. "For them the main thing is that the plant is still there."

Fashion, focus and frontiers

Vanessa Houlder on country-specific factors affecting corporate restructuring

In recent years, conglomerates have been firmly out of fashion. But is the new-found emphasis on focus just a fad? Or is it an inexorable trend driven by international competition and more demanding capital markets?

One way of shedding light on this issue is to compare the recent experiences of businesses in Germany and the UK, which have traditionally had different ownership structures and management cultures.

This exercise is the basis of a study edited by Sir Geoffrey Owen and Ansgar Richter of the Centre for Economic Performance at the London School of Economics, and published this week by the Anglo-German Foundation*.

It examines how far country-specific factors affect the pace of corporate restructuring. It also looks at whether these national differences will be eroded as product markets and capital markets become more globally integrated.

One point is clear: Germany has been far less affected by the fashion for focus than the UK or US. "For both countries, the period since the middle of the 1980s has been a 'deal decade', but the character of these deals has been different in many cases," says Mr Richter.

Both German and UK companies engaged in a flurry of deal-making to prepare for the single European market in 1992. But work by Professor Steven Davies and David Petts of the University of East Anglia suggests that some UK companies appear to have viewed overseas expansion as a substitute for diversification. By contrast, German businesses seemed to be prepared to diversify as they moved abroad.

These different attitudes are underlined by the statistics on divestments. Over the past 10 years, just over half of UK companies have divested some of their activities compared with just under a quarter of German companies.

"British firms have so far shown a much greater willingness than German ones to get out of unwanted activities," says Mr Richter.

Admittedly, some large German companies, such as Daimler and Hoechst, are refining their focus. But others appear to be moving in the opposite direction. For example, large manufacturing companies in traditional businesses, such as Mannesmann and Thyssen, are moving into modern technologies and related services, such as telecommunications.

Half of UK companies have divested some activities compared with under a quarter of German companies

Mr Richter also notes that a number of relatively specialised Mittelstand companies – the small and medium-sized groups on which much of Germany's prosperity has traditionally rested – are combining into holding companies. This offers them a degree of protection in competitive markets and helps provide access to finance. For example, Triumph Adler moved from its base in typewriter manufacturing into toys, musical instruments and other activities.

But it would be wrong to draw too many conclusions from these findings. For one thing, the starting points of the German and UK businesses differ. Fifteen years ago, British companies were among the most diversified in the world, and so had great potential for refocusing. Although Germany had some highly diversified conglomerates, many of the companies which grew out of the Mittelstand sector continued to be specialists.

Timing also influences these findings. The restructuring of UK industry took hold in the second half of the 1980s; in Germany, the move to reduce costs and improve efficiency does not go back much further than the recession of 1993.

Another factor is the traditionally low levels of mergers and acquisitions, and in particular hostile takeovers, in Germany. But merger and acquisition activity is starting to increase, as a result of the efforts of foreign investment banks coupled with recent moves to deregulate the financial markets.

"Although Germany is lacking an merger and acquisition culture comparable to those of the US or the UK, its market for corporate control has gone through a significant development during the last two decades in terms of its size and professionalism," says Professor Günter Müller-Stewens and Michael Schäfer from the University of St Gallen in Switzerland.

Another important influence on corporate restructuring is the growing pressure on listed companies to increase their profitability in response to pressure from shareholders.

Richard Young, executive director for European Strategies at Goldman Sachs, the investment bank, argues that there is considerable scope for German companies to raise their return on equity through restructuring. The pressure on them to do so is likely to increase, he says.

In many respects, it seems that the German system is being pushed in an Anglo-American direction. Nonetheless, it may be premature to assume that Anglo-American fashion for focus is gaining hold in Germany. "There are certain signs of conversion of corporate structures across the two economies," says Mr Richter. But, he adds, it would be unwise to use the notion of "Anglo-Saxon type restructuring" as a yardstick for what is taking place in Germany.

Corporate Restructuring in Britain and Germany, an Anglo-German Foundation Report. Available from AGF Book Sales. Tel (0)1904430033; Fax (0)1904430868. Price £12.

THE PROPERTY MARKET

Investors eye real estate abroad as **Norma Cohen** discovers

Foreign fields beckon

Property, historically, has been the ultimate local business. Investors do not like to own buildings they cannot see from their window and traditionally they have not done so.

While portfolio investors in the US and UK have grown comfortable with international diversification of stock and bond portfolios, property has resisted this trend.

Now, it seems, there are signs that a new approach is emerging among investors.

In its 1998 Investment Strategy Annual issued this week, LaSalle Advisors Capital Management, the Chicago-based property investment consultancy, is urging US clients to put up to 10 per cent of their real estate portfolios abroad.

"Real estate is the ultimate local business," LaSalle writes, "and foreign property has not always been readily accessible to non-resident investors."

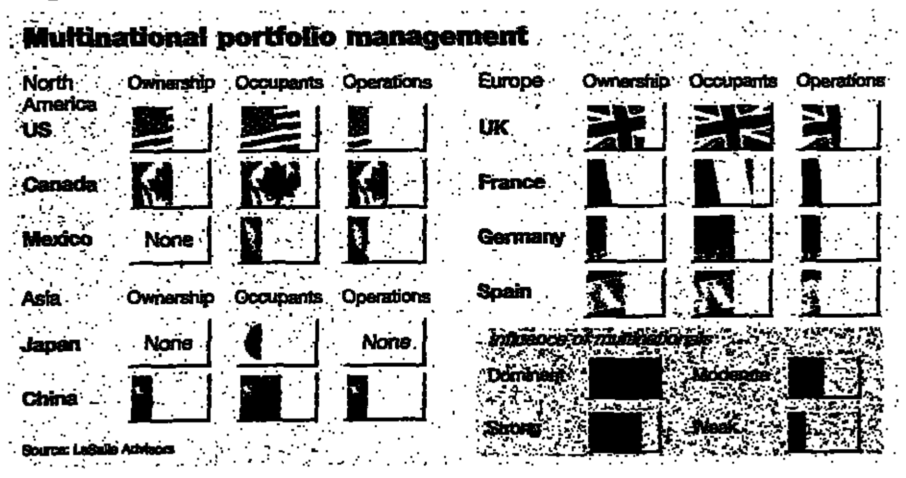
But recent liberalisation of tax and investment rules has opened up new opportunities. "Our research shows that cross-border investing in tax-efficient vehicles can earn higher risk-adjusted returns than are available from a purely domestic real estate portfolio," the report concludes.

LaSalle argues that three forces are already reshaping the real estate industry – consolidation, globalisation and security. Industries are shrinking the number of participants that they will tolerate. As companies grow by swallowing each other, they extend their activities abroad.

Meanwhile, property assets are increasingly being packaged into securities, which can be traded as easily as shares, broadening the pool of potential investors.

It is these three factors, LaSalle argues, which make an international approach to property investment necessary. The consultancy firm urges investors to place money into markets where property ownership, occupation and management are already multinational.

Jacques Gordon, managing director of research at LaSalle, says the true extent of cross-border investment by US property funds is still unknown. However, the firm estimates it is currently negligible, with probably no more than $5bn or $6bn out of $160bn outside the US.



However, anecdotal evidence suggests that there is interest in non-US property among US investors.

Earlier this week, Security Capital Industrial Trust, the US's largest real estate investment trust, paid $395m for Europe's largest chain of refrigerated warehouses. In explaining the purchase, SCI said that the multinational distribution companies who are its main customers need European storage and distribution facilities.

Lionbrook Property Partnership, a limited partnership fund managed by Baring, Houston & Saunders and aimed at US investors seeking a play on the UK property market, said it had raised more than £100m since its launch in August.

William Walton, managing principal at Westbrook Partners, a New York-based estate investment firm, which manages about $3.5bn for largely US pension fund clients, says that already about 5 per cent of its funds are invested abroad. "In general, international real estate is becoming more appealing to clients," he notes. "Lots of these guys were investing in international equities anyway."

Jon Zehner, head of global real estate investing at US investment bank J.P. Morgan, says that clients are looking abroad for value. "The tenants are global. More people are thinking its a global business. They think that by exporting the US's relatively more sophisticated investment techniques to Europe's relatively immature investment process, they can add value," he says.

Moreover, Mr Zehner adds, real estate markets do not necessarily correlate returns with other asset classes, nor do one country's property returns rise and fall with others. In the US, property investors have been able to earn fantastic returns on capital in the years 1994 through 1997 as the detritus of the 1990's property bust went up for sale at bargain-basement prices.

"In the US, the market is near a cyclical peak. So if you are looking for value, you have to look outside the US," he says. "And European markets generally offer more opportunity."

US vulture funds have been significant buyers of distressed property debt in France. There is also growing interest in Japan where the funding woes of banks are expected to force significant sell-offs.

However, US real estate specialists warn that it will be some time before international property gains the same status as international equities or bonds. For one thing, points out John Jardine, managing director of real estate at TIAA-CREF, one of the US's largest pension funds, investors have a long memory.

In 1989, Chicago-based JMB Realty Corp arranged a leveraged buyout of Randsworth Trust Plc, a UK property company, for $425m. When the UK realty markets collapsed two years later, 13 US pension funds saw their equity wiped out.

Although TIAA-CREF has been investing abroad since 1994, the international portion of its property portfolio is a small part of the business, Mr Jardine says.

The main obstacle, he says, is finding the right local partner to work with. "You are in a different environment with different customs and different laws," he says.

But Mr Gordon points to another troubling obstacle – the lack of transparency about property values and characteristics in non-US markets. While US Reits, real estate investment trusts, are used to publishing volumes of data about their lease structures and finances, other property markets are much more opaque. "The disclosure has got to be much better on cash flows than it is right now," he says.

In its report, LaSalle notes that if real estate truly wants to be admitted to the international capital markets, it must play by the rules. "High-quality financial and market information are part of the admission price," it notes.

Opacity leads to overbuilding, which in turn leads to boom-bust property cycles that will deter investors long term.

BUSINESSES FOR SALE

REPEAT CALL FOR TENDERS FOR THE SALE OF A GROUP OF ASSETS OF "S.A. INDUSTRIE AGRICOLE", OF KALAMATA, GREECE

ETHNIKI KEPHALEOU S.A., Administration of Assets and Liabilities, of 9a Chryssospiliotissis St. Athens 105 60, Greece, in its capacity as Liquidator of "S.A. D'INDUSTRIE AGRICOLE" a company with its registered office in Kalamata, Greece, (the "Company"), presently under special liquidation according to the provisions of article 46a of Law 1892/1990, by virtue of Decisions No.269/1994 and 463/1994 of the Nafplion Court of Appeal.

announces a repeat call for tenders

for the sale of the group of assets mentioned below, **which is being sold as a single entity.**

BRIEF INFORMATION

The Company was established in 1973. On 21.4.1994 the Company was placed under special liquidation, according to the provisions of Article 46a of Law 1892/1990 upon application by the National Bank of Greece SA and the Credit Bank SA in their capacity as creditors representing over 51% of the claims against the company. The Company's activities included the production of alcohol (pure an industrial), grape must, kernel oil and olive kernel oil milling residues.

GROUP OF ASSETS OFFERED FOR SALE

Kernel oil factory/olive oil refinery at "Potami" in the rural area of Kyparissia (Pyrgos-Kyparissia National Road) standing on a plot of land covering approximately 13,702 sq.m. and containing buildings, the surface of which amounts to 2,800 sq.m., machinery and mechanical equipment in operating condition. Certain of the buildings have been built without permission, as certified by the town planning authorities. (For further information please see the Offering Memorandum). The factory is under lease, the validity of which is being disputed in court. The company's trade name is also on offer.

TERMS AND CONDITIONS OF THE AUCTION

1. The Auction shall take place in accordance with the provisions of article 46a of Law 1892/1990 (as supplemented by article 14 of Law 2000/91 and subsequently amended), the terms and conditions set forth herein and the "Terms and Conditions of Sale" contained in the Offering Memorandum. Such provisions and other terms and conditions shall apply irrespectively of whether they are mentioned herein or not. Submission of binding offers shall mean acceptance of such provisions and other terms and conditions.
2. **Binding Offers:** Interested parties are hereby invited to submit binding offers, not later than **19.1.1998, 1200 hours** to the Kalamta Notary Public Mr Panagiotis Doumoulakis, Amalias St. No. 3-5, 24 100 Kalamata, Tel. +30-721-87526. Offers should expressly state the offered price and the detailed terms of payment (in cash or instalments, mentioning the number of instalments, the dates thereof and the proposed annual interest rate if any). In the event of not specifying: a) the way of payment, b) whether the credited amount shall bear interest and c) the interest rate, then it shall respectively be deemed that: a) the offered price is payable upon execution of the sale contract, b) the amount credited shall bear no interest and c) the interest rate shall be the legal rate in force from time to time. In all cases where the credited amount bears interest, this shall be calculated in relation to the outstanding amount and shall be payable on the dates of payment of each instalment. Binding offers submitted later than the above date shall neither be accepted nor considered. The offers shall be binding until the adjudication. Submission of offers in favour of a third party to be nominated at a later stage shall be accepted on condition that this is expressly stated upon submission and that the offeror shall give a personal guarantee in favour of such third party, for the compliance of the obligations deriving from the sale contract.
3. **Letters of Guarantee:** Binding offers must be accompanied by a Letter of Guarantee issued in accordance with the sample Letter of Guarantee contained in the Offering Memorandum, by a bank legally operating in Greece, to remain valid until the adjudication. The Letters of Guarantee must be for the amount of: DRS.FORTY MILLION (40,000,000.-). Letters of Guarantee shall be returned after the adjudication.
4. **Submissions:** Binding offers together with the Letter of Guarantee shall be submitted in sealed opaque envelopes.
5. Envelopes containing the binding offers shall be unsealed by the above mentioned Notary Public in his office, on **19.1.1998, 14.00 hours.** Any party having duly submitted a binding offer shall be entitled to attend and sign the deed attesting the unsealing of the binding offers.
6. **As highest bidder** shall be considered the participant, whose offer will be judged by creditors representing over 51% of the claims against the Company (the "Creditors"), upon recommendation by the Liquidator, to be in the best interests of all of the creditors of the Company. For the purposes of evaluation, an offer to be paid in instalments shall be assessed on the basis of its present value to be calculated by employing a 15% annual discount interest rate, compounded yearly.
7. The Liquidator shall give written notice to the highest bidder to appear on the date and place mentioned therein and execute the **contract of sale** in accordance with the terms contained in his binding offer and/or any other improved terms, which may be suggested by the Creditors and agreed upon. In the event of the highest bidder not complying with such obligation, the Letter of Guarantee shall be forfeited as a penalty. Adjudication shall be deemed to take effect upon execution of the contract of sale.
8. All costs and expenses of any nature, including any tax (such as V.A.T.), duties, custom duties, any charges in favour of the state or third parties, which may need to be paid (other than those exempted by law) in respect of the participation in the Auction and the transfer of the assets offered hereby for sale, the sale contract, as well as any other act prior or subsequent to the transfer of assets shall be exclusively borne by the purchaser.
9. The Liquidator and the Creditors shall have no liability nor obligation whatsoever towards the participants in relation to the evaluation of the offers or the appointment of the highest bidder or any decision to repeat or cancel any Auction or any decision whatsoever in connection with the proceedings of the Auction. The Liquidator or the Creditors shall have no liability for any legal or actual defects of the assets. Submission of binding offers shall not create any right for the adjudication not the participants shall acquire any right, power of claim from this Call for Tenders and/or their participation in the Auction against the Liquidator and/or the Creditors for any reason whatsoever.
10. This Call for Tenders has been drafted in Greek and translated into English. In any event, the Greek version shall prevail.

OFFERING MEMORANDUM - FURTHER INFORMATION

Interested parties may obtain the Offering Memorandum in respect of the Company and its assets upon signing a confidentiality agreement.

In order to obtain a copy of the Offering Memorandum and any further information please apply to the Liquidator "Ethniki Kephaleou SA, Administration of Assets and Liabilities", 9a Chryssospiliotissis St. Athens 10580, Greece, Tel: +30-1-323 14 84-7, Fax: +30-1-321 79 05(attention of Mrs. Marika Frangakis).

Bundesanstalt für vereinigungsbedingte Sonderaufgaben

CALL FOR TENDERS

Mecklenburger Metallguss GmbH (MMG)
D-17192 Waren/Müritz in Mecklenburg-Western Pomerania

is offered for sale.

MMG is one of the world's leading manufacturers of ship's propellers. It makes and supplies foundry products of standard and special copper alloys, such as

- fixed pitch propellers up to 100 t
- components for controllable pitch propellers
- spun rype castings

Following an extensive restructuring and modernization operation, which will be completed in 1998, this highly efficient foundry operation now boasts top technological standards and is ideally equipped to meet its customers expectations.

The volume of orders is in the double-digit millions and stable. The company is in the black. The 110 employees are trained, performance-oriented and committed specialists. MMG ist certified by German Lloyd as conforming with ISO 9001 quality standards. Alongside its foundry expertise, MMG has in-house development and design capacities in the hydrodynamics field. The products are marketed through a worldwide distribution network and cooperation arrangements.

Potential investors will be expected to take over and continue the operations at its present site and to safeguard and increase the number of jobs in the long term.

If you are interested, please contact the Bundesanstalt für vereinigungsbedingte Sonderaufgaben, Privatization team 1, Dr. Bernhard Wild, for the tender documents within three weeks from the publication of this notice.

Phone +49 30 24 51 13 41, Fax +49 30 24 51 11 98

The contact will be awarded at the discretion of the Bundesanstalt für vereinigungsbedingte Sonderaufgaben.

Bundesanstalt für vereinigungsbedingte Sonderaufgaben, Privatization team 1, Alexanderplatz 6, D-10100 Berlin

Thriving Multi Depot Car Trailer/Tow Bar Dealership

4 Strategically placed Depots
• *Turnover £1.5m* •
• *Net Profit 10%* •
Set for expansion. Sale due to impending retirement.

David Newton and Co.
Chartered Certified Accountants
Lawrence House,
James Nicolson Link,
Clifton Moor, York
North Yorkshire YO3 4XG

PIRAEUS FINANCE

FINANCIAL AND CONSULTANCY SERVICES S.A

INVITATION FOR EXPRESSIONS OF INTEREST IN PURCHASING THE TOTAL ASSETS OF "INTERNATIONAL CLOTHING INDUSTRY S.A." NOW UNDER SPECIAL LIQUIDATION

PIRAEUS FINANCE S.A. (established in Athens at 20 Amalias and 5 Souri Street) in its capacity as special liquidator of **INTERNATIONAL CLOTHING INDUSTRY S.A.** (established in Athens at 64 Vass. Sophias Avenue.) which has been placed under special liquidation as per article 46a of Law 1892/90 by Decisions No. 6647/10.7.79 and 9767/27.11.97 of the Athens Court of Appeal

INVITES

interested parties to express their interest in purchasing the total assets of **INTERNATIONAL CLOTHING INDUSTRY S.A.** by **submitting within twenty (20) days from today a written, non-binding expression of interest.**

Summary Data on the Company under Liquidation

The company under liquidation was established in 1973 for the manufacture and sale of clothing and woven materials of all types, the representation in Greece of kindred enterprises, participation in other enterprises, etc. Within the framework of its objectives, the company established, in the Thuria district of the prefecture of Messinia, a modem factory producing ready-made clothes. This factory ceased functioning on a regular basis from the beginning of 1997. Since 1996, the company has been facing financial problems and finally, following an application by its creditors, it was placed under special liquidation through the above-mentioned decisions of the Athens Court of Appeal.

Summary Data on the Assets for Sale

Included among the assets of the company under liquidation are:

- A complete factory complex for the production of ready-made clothing in the Thuria district of the prefecture of Messinia, built on a plot measuring 21,805m2 in area (surface area of the building installations is about 10,100 m^2.)
- Building complex (warehouses, offices, etc.) with a total area of 9,802.20 m^2 in the land district of the community of Pallini, Attica.
- Independently owned offices which occupy the entire 4th floor (total area: 524 m^2) of the apartment building at 64 Vass. Sophia Ave.
- Indivisible ownership of 1/2 of the independently owned offices which occupy the fifth floor (total area 524 m^2 of the above apartment building.
- Indivisible ownership of 1/3 of an area of 10,000 m^2 in the district of Oreon, Euboea, as well as the indivisible ownership of 1/2 of a plot of land 909 m^2. (with a 40 m^2 building on it) in the district of Lehainon, Ilia.
- Claims and stocks of raw materials and finished products as well as the "AMERICANINO" trade mark in all the countries of the world except Greece, Cyprus, Japan, China, Hong Kong, Indonesia and South America.

A detailed description of the above data, as well of other remaining assets, is contained in the offering memorandum which is available to prospective buyers.

Sale Procedure

The sale will take place by Public Auction to the Highest Bidder in accordance with the provisions of article 46a of Law 1892/90 (as supplemented by article 14 of Law 2000/91 and later amended) and the terms of the relative announcement of the auction which will be published in the same newspapers and within the time limits prescribed by law.

Prospective buyers, on signature of a confidentiality agreement, may receive the offering memorandum within the legal time limits. Also, they may obtain supplementary information and data and may visit the premises of the company under liquidation.

Submission of Expressions of Interest

For the submission of expressions of interest as well as for supplementary information, prospective buyers may apply to the liquidator:

Piraeus Finance, Financial and Consultancy S.A., 20 Amalias and 5 Souri Streets, 105 57 Athens, Greece. Tel: (301) 333 5521, Fax: (301) 333 5020.

U.V.G. (BUS AND COACH) LIMITED

(In Administrative Receivership)

The Joint Administrative Receivers offer for sale the business and assets of the company, which include:

- Well located site in Waterlooville, Hants (part freehold, part leasehold) – c. 4.5 acres in total.
- A manufacturing facility which is highly regarded within the industry, ISO 9000 accredited, with its own paint facilities.
- c. 200 employees.
- Annual turnover of c. £14 million.
- Order book of c. £4 million, including a substantial fitting contract with a major German OEM.
- Product range comprising:
  - S320 coach and variants including the only ECER66 rollover approved 69 seat (all seat belted) coach available in the market, ideal for school use
  - Super low floor bus
  - Vanguard coach (with potential for exploitation in emerging markets).

For further information, please contact
Kevin Haywood at :
Arthur Andersen, 1 Victoria Square,
Birmingham B1 1BD.
Tel: 0121 233 2101. Fax: 0121 643 7647

ARTHUR ANDERSEN

Arthur Andersen is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

BUSINESSES FOR SALE

Appear in the Financial Times on Tuesdays, Fridays and Saturdays.

For further information or to advertise in this section please contact Marlon Wedderburn on +44 0171 873 4874 or Melanie Miles on +44 0171 873 3349

FT FINANCIAL TIMES

LEGAL NOTICES

No. 005191 of 1997

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF
ANGLO UNITED PLC
- and -
IN THE MATTER OF THE
COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was presented to Her Majesty's High Court of Justice, Chancery Division on 2nd December 1997 for the sanction of a Scheme of Arrangement and the confirmation of the reduction of share capital of the above named Company from £60,000,000 to £14,178,137.50.

AND NOTICE is further given that the said Petition is directed to be heard before the Judge of the Companies Court at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 12th day of January 1998.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of share capital should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the undermentioned Solicitors on payment of the Regulated Charge for the same.

Dated the 19th day of December 1997.

CLIFFORD CHANCE
200 Aldersgate Street
London EC1A 4JJ
Ref: RO
Solicitors to the Company

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT
NO 006104 OF 1997
IN THE MATTER OF
SHEFFIELD UNITED PLC
AND IN THE MATTER OF THE
COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 2 December 1997 presented to Her Majesty's High Court of Justice for confirmation of the reduction of the share capital of the above-named Company from £11,922,430.50 to £3,000,000.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before The Companies Court Registrar at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 14th day of January 1998.

ANY CREDITOR or Shareholder of the said Company desiring to oppose the making of an Order for confirmation of the said reduction of share capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.

DATED this 19th day of December 1997

DIBB LUPTON ALSOP, 125 London Wall, London EC2Y 5AE. Tel: 0845 262728
Ref: Colin Wilkes
Solicitors for the above named Company

WEST TECHNICAL SERVICES LIMITED
Registered number: 2443283
Former company name: WEST ELECTRICAL SERVICES LIMITED
Nature of business: Electrical Contractor
Trade classification: 3-27
Date of appointment of Joint Administrative Receivers: 15 December 1997
Name of appointor: Barclays Bank plc
D R SMITH and M J HORE
Joint Administrative Receivers
(office holder nos 8371 and 16300) of
Robson Rhodes, 186 City Road, London EC1V 2NU

CONTRACTS & TENDERS

REPUBLIC OF TUNISIA

Invitation for expression of interest for the privatisation of LA SOCIETE DES CIMENTS D'ENFIDHA

Pre-qualification to bid

Within the framework of the privatisation programme of the Republic of Tunisia, the Government of Tunisia hereby announces a two stage international tender for the purchase of 87.88% of La Société des Ciments d'Enfidha, one of the leading cement manufacturers in Tunisia with a capacity of 1 million tons.

In the first stage, interested parties are invited to express their interest so as to be pre-qualified for the second stage of the process. Pre-qualification criteria will be based on the operational track record in the cement industry and financial strength.

In the second stage, for those who meet the pre-qualification criteria, invitations will be sent together with the tender documents, including the procedure and timetable to be followed.

A letter of interest and the latest annual report of the submitting party shall be sent no later than January 15th, 1998 to:

MINISTERE DU DEVELOPPEMENT ECONOMIQUE
Direction Générale de la Privatisation
Place Ali Zouaoui
1000 Tunis, Tunisia

Reference: Privatisation of the cement sector
Tel: 216 1 - 354 467 Fax: 216 1 - 350 975

LAGOS STATE WATER CORPORATION

CONCESSION CONTRACT FOR WATER SUPPLIES ON THE LEKKI PENINSULA AND THE ISLANDS

APPLICATIONS FOR PREQUALIFICATION

Lagos State Water Corporation is inviting expressions of interest from suitably qualified contractors or consortia to apply for a concession to transfer responsibilities for water supplies in the defined area under a 25 year contract.

The contract will provide for transfer of responsibility for the provision of water supplies to the project area of Lekki Corridor and the Islands. This area has a total population of approximately half a million at present which is expected to double during the period of the concession. The area houses a domestic population of the highest socio-economic category in Lagos and is home to most of the major institutions and embassies, headquarters of major international firms etc., based in Nigeria.

The existing assets available for the provision of water supplies in the concession area, which have been extensively rehabilitated, will be transferred to the concessionaire under a Lease Arrangement. Whilst significantly improved, these assets are only able to meet 30 per cent of the present estimated demand.

The concessionaire will be required to implement an approved programme of investment to improve levels of service in accordance with an agreed schedule. A major component of the investment programme is a new water production and transmission system to be procured under a Build, Own, Operate and Transfer Arrangement (BOOT). Discussions are being conducted with the Government of the Republic of Nigeria and the World Bank concerning the provision of guarantees on the sovereign risk elements of this project.

Suitable certified Companies are invited to collect a copy of Request for Pre-qualification Documents (RFQ) from the undersigned to be returned by 24 February 1998. Pre-qualified Companies will be advised following this date.

A Request for Proposal Documents (RFP) will be issued in April 1998 from the Corporation's Office in Lagos and United Utilities PLC Office, Warrington, England as appropriate.

The documents (Pre-qualified document) are available for a non refundable fee of N10,000 or £90 at the Lagos State Water Corporation or its designated Consultant, United Utilities of the United Kingdom.

Interested companies should address enquiries to:

The General Manager, Lagos State Water Corporation Headquarters, Ijora
P.O. Box 555, Lagos, Nigeria, Tel: 2630590, 2630713, 2631738

Habib Bank Limited

STRATEGIC AUTOMATION

EXPRESSION OF INTEREST

Habib Bank Limited is one of Pakistan's largest and oldest banks with over 1900 branches locally and 66 offices in 21 countries. The bank is being restructured and as part of this exercise a complete automation of the bank is required.

Expression of interest from reputable, international vendors preferably with local affiliation is solicited for the provision of a fully integrated banking package for the bank. Vendors are requested to send full details of the package along with prices, operating system and hardware platform required for their product. Vendors should also include at least three reference sites that are using their package for at least three years and such sites should have on-line cluster of 300-1000 branches with cross border operations.

Selected vendors will work with the HBL team to review and evaluate in detail their offerings.

All inquiries in respect of this request for EOI should be made in writing to the address below.

The EOI documentation in triplicate should be received by HBL by 20th January 1998.

The Project Manager
Habib Bank Limited
Chundrigar Road, Karachi, Pakistan
Tel: 92-42-2411565 Fax: 92-42-2414251
Telex Kar. 2786 20086 HBANK PK

هكذا من الاصل

ARTS

Opera in 1997 / Andrew Clark

A year of living dangerously

Crisis? What crisis? Anyone attending a performance by London's two internationally renowned opera companies earlier this month could be forgiven for thinking nothing was amiss. The Royal Opera was packing in the crowds at the Shaftesbury Theatre for *Paul Bunyan*, an obscure 1940s operetta that no one but Britten aficionados had heard about. At the Coliseum, ENO was being cheered to the roof for its performances of *Eugene Onegin*, *Falstaff* and *The Magic Flute*.

Behind the business-as-usual façade, neither company can be sure it will be in existence this time next year. Since UK culture secretary Chris Smith's bombshell on November 3, when he proposed lumping the Royal Opera, Royal Ballet and ENO in a de-royaled Covent Garden Theatre, everything has been in limbo. ENO has no chief executive and is unlikely to find one until its future is clear. The Royal Opera House board has tendered its resignation, and no one seems to know who is in charge. Sir Richard Eyre will not be able to chair the review panel until after Christmas. The panel has four months in which to report, but its membership has not even been finalised.

In a letter to The Times Lord Gibson, chairman of the Arts Council from 1972 to 1977, summed up the UK opera problem. He said that "if we want opera houses at international standards, developing the art of opera as well as playing the popular repertoire at popular prices, they will cost the public more than they do now. In mainland Europe this is not grudged. Here it has yet to be accepted ... In the absence of continental-type subsidy, seat prices have to be high, leading to charges of 'elitism' which in turn endanger even existing levels of subsidy."

Lord Gibson underlines why the Eyre review is immaterial in the long term: it will not address the wider problem of declining arts subsidy. The Royal Liverpool Philharmonic Orchestra is £1.3m in the red, the Halle £600,000. Opera North has an accumulated deficit of £670,000. They can't *all* be mismanaged. For most UK orchestras and opera companies, 1997 was an *annus horribilis*. The reason is not because their financial problems took a sudden turn for the worse or because their artistic product slumped. There was evidence of neither. No, the cause of the gloom was that fateful evening of November 3, when it finally sank in that Tony Blair's government was no more willing to help the arts than its Conservative predecessors. A New Labour arts policy was a chimera.

For the music and opera establishment, which had staked its salvation on New Labour, Blair's election triumph was a false dawn. Here was a party unrecognisable from the Old Labour which oversaw the UK arts explosion in the 1960s. Far from sweeping away 18 years of Thatcherism, during which the arts had been treated like an overmanned and poorly performing business, New Labour is clearly embarrassed by high art. Its idea of culture is People's Culture: Chris Evans (millionaire disc jockey), *Inspector Morse* (TV detective series), sport, fashion, restaurants, style.

New Labour talks about democratic access to the arts, but is not prepared to pay for it. You can't be seen to increase subsidies for high art if you're cutting benefit payments to single mothers and the disabled. You can't even privatise the Royal Opera House because it would mean giving tax breaks to the rich people on whom its future would depend.

Annus horribilis, indeed. The arts have been on standstill funding for five years, while production costs have risen with inflation. In many cases, the lottery has only complicated the matter. The RLPO's deficit, for example, stems from the two-year period when it had to vacate Liverpool's Philharmonic Hall for a lottery-funded refurbishment. It simply couldn't attract the same box-office income from a smaller, less suitable temporary venue.

The problem for the RLPO and its confrères around the country is that the Royal Opera House has become the face of the arts in the UK, and New Labour has chosen it as the easiest target. Brought to its knees by mismanagement of the close-down period, the ROH is being used as a smokescreen for the government's failure to address the overall decline in subsidy. As long as government trades one-off lottery grants against that decline, the long-term well-being of the arts in the UK will be in question. What is to stop the Blair government, or its successor, from diverting more lottery money away from the arts to other causes, as it has done already?

For the time being, however, the Eyre review lets New Labour off the hook. No one expects Eyre to rubber-stamp Smith's widely-derided three-in-one proposal. But if, as Smith asserts, no more money is forthcoming, the only alternative must be a fudge. ENO could stay at the Coliseum, with its debt written off. The ROH may adopt a *stagione* system, reducing its main season to 10 productions – like opera houses in Amsterdam, Brussels and Geneva. That might leave enough resources for smaller-scale touring shows on the lines of *Paul Bunyan*. A short West End run of *La bohème* would do the Royal Opera's image no end of good, as the San Francisco Opera found during its recent close-down period.

Of course, the UK is not the only country to have faced operatic crisis. German culture faced meltdown in the aftermath of unification. There was a lot of nipping and tucking, but apart from Berlin's Schiller Theater – the closure of which brought Germany's cultural establishment to its senses – no institution was forced to shut down. Against all odds, Berlin's three opera houses have survived. The Bavarian State Opera is as lively as it has ever been, while the Munich Philharmonic recently engaged James Levine as its conductor, on a contract worth DM2m (£700,000) a year.

In Paris, the Bastille project underwent crisis after crisis, failing to match the visionary ambition of its begetters. It has now come good. The artistic product is reliable and sometimes world-class, as in *Der Rosenkavalier* and *The Merry Widow* this past month. You can get a good seat for FFr240 (£24); the upper balcony costs FFr64. Not surprisingly, the 2700-seat theatre regularly sells out. Like the Royal Opera House, the Bastille is responsible for two companies, *and* it has a second theatre to sustain. With a subsidy of FFr550m, it is manageable.

It's partly a question of personalities: you need a Hugues Gall to weld that huge organisation into a coherent artistic force, just as you need a Joe Volpe to turn the New York Metropolitan Opera into the world's most efficient opera factory. Each knows his business from bottom up. If something goes wrong, everyone knows who to blame. But while Gall and Volpe are in charge, no one tries to second-guess them. Who is in charge at the Royal Opera?

Drafting in television executives and Arts Council administrators is no way to run an opera house. But you won't attract managers of appropriate talent and experience if you don't offer the proper resources. It all comes down to cash. Once New Labour puts its money where its mouth is, it may be in a position to grasp that the arts are the greatest educational, moral and spiritual resource at this country's disposal.

Theatre

Clown in the snow

We may think of clowning as a fairly frenetic activity, but Slava Polunin is remarkably laid back. In his yellow rompers and fluffy red slippers, he does the occasional stock clownish thing in a rather minimal, postmodern way – falling off a chair placed at 45 degrees to the floor, or dashing between giant telephones to play both sides of a conversation. But *Slava's Snowshow*, now at the Old Vic, is governed by a gentle, almost elegiac feel.

The show is sentimental, kitschy in places and thin in others, and is laced with irritatingly whimsical music. And yet it adds up to more than the sum of its parts, as the bizarre, haunting images accumulate and build to a climax.

Polunin himself appears as a lonely individual in an arctic, dream-like landscape of icy blue flats, frosty cobwebs and floating snowflakes. He has the benign presence of a holy fool, but he draws on the great clown tradition of appearing isolated in a bewildering, hostile world.

He has a stage companion, another mute little individual, who, while Polunin goes for the Andy Pandy style in clown fashion, favours the Beckett look of floor-length, moth-eaten overcoat. This wistful looking oddity offers no friendship, and the two clowns pad about in isolation.

But the show's real impact depends on two startlingly effective images. Polunin, having caused the demise of a yellow balloon, dumps the ragged bit of rubber into a dustbin then watches, transfixed, as the balloon, resurrected and transformed into a gorgeous yellow orb, floats upwards out of reach and sprinkles him with silver-blue flakes. What does it signify? Hope? Happiness? Who knows, but this charming image is surpassed by the show's climax. Here Polunin is plunged into a blizzard which engulfs the whole auditorium, blasting the audience with white light, driven snow and ear-splitting music (Carl Orff), while Polunin writhes helplessly on the stage, a tiny, frail figure drowned by huge forces. There is something devastating and distressing about this final image; to me it suggested the crushing of hope.

Not one to send his audience out stunned, however, Polunin rounds off the show by releasing giant balls into the auditorium, which the spectators fall on with glee. Polunin, meanwhile, sits on the edge of the stage, beaming quietly as his audience plays for a good 10 minutes. Manipulative? Mushy? Yes and yes – and yet at the time nobody minds much. Polunin spreads a blanket of benevolent charm over his audience, holding them spellbound for a while.

Sarah Hemming

Slava's Snowshow continues at the Old Vic, London SE1 until January 3. (0171 928 7616).

Sentimental, kitschy – but spellbinding: Slava and Ivan Polunin in 'Slava's Snowshow' Alastair Muir

Captivated by Kabuki

France has marked 1997 as "Japanese Year", with exhibitions, concerts and theatrical performance. In a final burst of glory, after visits from Bunraku puppets and Noh Theatre, the Festival d'Automne is presenting a season of Kabuki drama and dance at the Théâtre du Châtelet in Paris. And for theatre lovers the occasion, as the guide book puts it, *vaut le voyage*. Most especially so in that the show stars two of Japan's greatest actors, both honoured as Living National Treasures – Jakuemon Nakamura IV, who is the supreme player of *onnagata* (female) roles, and Tomijuro Nakamura V, to whom fall the heroic characters. Both are astounding in artistry, in subtlety, in power and – beneath the ritualistic mask of Kabuki – in passion.

Kabuki is a "popular" theatrical form, its dramas encompassing the darkest as well as the lightest in the theatre. It is, to western eyes, ravishing in aspect. If we miss the minutiae of the action, we are still drawn into its world of exquisitely dressed figures – the colours almost intoxicating in their effects – and into the dramas as vividly expressive as the robes and maquillage and the clangour of the accompanying musicians. For the Châtelet visit, surtitles prove a tremendous help in making clear the action of the first part of the evening.

Keisei Hangongko deals with Matahei, a painter with a ferocious stammer, who is seeking promotion from a master-painter but is passed-over. As played by Tomijuro Nakamura we understand the extreme tensions which exist between the comic aspects of his disability (his wife must always speak for him) and the tragedy of a man trapped in his inability to express himself.

The *onnagata* role of his wife, Otoku, is taken by Jukuemon Nakamura, whose portrait features copious wifely explanations (a wonderfully convincing babble) and in the play's most illuminatingly beautiful moment, her willingness to die with him and her astonishment when a painting he has made on a fountain permeates the entire stone. Irresistible is the passage when Matahei tries to put down the brush with which he has painted, and cannot, and gently Otoku releases each finger in turn from the handle. Great art. Great theatre, wonderfully framed by the supporting company of actors and musicians. And the dance scene, which completes the programme, is quite astonishing.

It tells how Vanya-kyubei, a rich young man maddened by a dissolute life, sees a vision of Natsuyama, a courtesan whom he has loved. In his dream, they relive their passion. Here is dance at its most refined, most telling, most ritualistically true. Jukuemon Jakamura is 74 years old, and as Natsuyama, gloriously robed, exquisitely poised, he is the very essence of a beautiful woman. Tomijuro Nakamura is 68, and he becomes the embodiment of hallucinated and sorrowing youth. If I mention the ages of these two superb artists it is to stress how much these years have given to them in perceptive power, in grace and economy of means. The love scene is astonishing in its discretion – hands touch; the young man puts on the courtesan's robe (and we feel a frisson of eroticism) and the swoops and steppings of the dance are more potent and more thrilling than western dancers roaring through the "Black Swan" duet. A theatrical marvel.

Clement Crisp

At the Châtelet, Paris until December 20.

Concert

Requiem for an event

So – he did not turn up to sing, after all. Booking very famous singers of a certain age is always a risky business. Despite great expectations, Luciano Pavarotti pleaded ill health and backed out of his concerts in London and Birmingham this week.

Fortunately, the Philharmonia had engaged an all-star cast from the beginning and the performance of Verdi's Requiem at the Royal Festival Hall on Wednesday was probably much the same de luxe affair that it would have been if its VIP tenor had been present. Royalty graced the hall, television cameras whirred, the audience looked better dressed than usual – it was an event.

Having spent the last four or five years as London's most improving orchestra, the Philharmonia showed here just what it can do at its best. And with Pavarotti absent, the four soloists may well have formed a more equally-matched quartet. The soprano Renée Fleming sang with near-heavenly beauty, even if Verdi here is asking for a more dramatic voice; she is a Desdemona rather than an Aida. Roberto Alagna sang well as the tenor, with both strength and sensitivity; and Roberto Scandiuzzi was the typically soft-grained Italian bass. Probably the most characterful of the four was the mezzo Luciana d'Intino, until a frog in the throat during the "Lux aeterna". "I'm sorry, maestro", she whispered to James Levine afterwards – visibly to lip-readers in the stalls.

As artistic director of the Metropolitan Opera in New York, Levine is known famously as a *singers' conductor*. His performance of the Verdi was consummately prepared, an unhurried exposition of the glories of the score, with a few moments of drama and much vibrato-laden, hand-on-heart string playing on the way. What it did not exhibit was much spontaneity. However, the Philharmonia Chorus – 40 this year – together with the City of Birmingham Symphony Chorus provided high-quality choral singing. The concert will be broadcast by Channel 4 on Christmas Day.

Richard Fairman

Sponsored by Enterprise Oil.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Dialogues des Carmélites: by Poulenc. New production conducted by Yves Abel in a staging by Robert Carsen. Cast includes Joan Rodgers and Sheri Greenawald; Dec 19, 22

■ BARCELONA

EXHIBITIONS
Fundació "la Caixa"
Tel: 34-3-207 7475
Madrid-Barcelona, 1930-1936: brings together a group of around 100 avant-garde works from the period of the Second Republic, before the Civil War. Includes paintings and sculptures by Picasso, Miró and Dalí, along with photographs, posters and films; to Dec 21

■ BERLIN

CONCERTS
Deutsche Oper
Tel: 49-30-34384-01
Carmina Burana: by Orff. Conducted by Rafael Frühbeck de Burgos. With the Clemencic Consort conducted by René Clemencic; Dec 19

Philharmonie
Tel: 49-30-2548 8354
Berlin Philharmonic Orchestra: conducted by Daniel Barenboim in works by Mendelssohn, Rihm and Bruckner; Dec 19, 20, 21

OPERA
Deutsche Oper
Tel: 49-30-34384-01
Hänsel und Gretel: by Humperdinck. Conducted by Olaf Henzold in a staging by Andreas Homoki; Dec 21

■ BOLOGNA

OPERA
Teatro Comunale
Tel: 39-51-529 999
www.nettuno.it/bo/teatrocomunale
Turandot: by Puccini. Revival conducted by Daniele Gatti in a staging by Hugo de Ana; Dec 21

■ CHICAGO

OPERA
Lyric Opera of Chicago
Tel: 1-312-332 2244
www.lyricopera.org
Amistad: world premiere of Anthony Davis's new work about the 19th century anti-slavery campaign. Dennis Russell Davies conducts a production by George C. Woolfe; Dec 20

■ HONG KONG

EXHIBITIONS
Hong Kong Museum of Art
www.usd.gov.hk/CE/Museum
National Treasures: Gems of China's Cultural Relics. Major exhibition assembling some 160 works of art on loan from China's 30 museums. Includes bronzes, jades, ceramics, paintings and tapestries, some of which have never travelled before. The exhibition brings together objects from all over China, and ranges from the Neolithic period to the early 20th century; to Mar 1

■ LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
Christmas Carol Concert: Richard Hickox conducts the London Symphony Orchestra and Chorus in a programme including Humperdinck's Hansel and Gretel Overture and extracts from The Nutcracker; Dec 20, 21

DANCE
Royal Festival Hall
Tel: 44-171-928 8800
The Royal Ballet: Les Patineurs/Tales of Beatrix Potter, by Frederick Ashton; Dec 23

■ LOS ANGELES

CONCERTS
Dorothy Chandler Pavilion
Tel: 1-213-365 3500
● Los Angeles Philharmonic: conducted by Esa-Pekka Salonen in works by Beethoven, John Williams and Nielsen. With violin soloist Alexander Treger; Dec 20, 21

■ MILAN

DANCE
Teatro alla Scala
Tel: 39-2-88791
Giselle: with sets and costumes by Marie-Louise Ekman; Dec 20

OPERA
Teatro alla Scala
Tel: 39-2-88791
Macbeth: by Verdi. Conducted by Riccardo Muti in a staging by Graham Vick, with designs by Maria Bjornson. Casts vary; look out for Maria Guleghina and Roberto Alagna; Dec 19, 21

■ NEW YORK

CONCERTS
Lincoln Center
Tel: 1-212-721 6500
www.lincolncenter.org
● New York Philharmonic: conducted by Kurt Masur in works by Shostakovich and Prokofiev. With violin soloist Midori; Avery Fisher Hall; Dec 19
● New York Philharmonic: conducted by Dr Walter J. Turnbull with the Boys Choir of Harlem; Avery Fisher Hall; Dec 20
● New York Philharmonic: Klezmerfest. With the Andy Statman Orchestra and Klezmer Conservatory Band; Avery Fisher Hall; Dec 21

DANCE
New York City Ballet, New York State Theater
Tel: 1-212-870 5570
George Balanchine's The Nutcracker; Dec 19, 20, 21, 22, 23

EXHIBITIONS
Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
Picasso – The Engraver: Selections from the Musée Picasso, Paris. Around 150 engravings, etchings and woodcuts created between 1900 and 1942. The display includes sequences which show the development of individual images, and carved woodblocks and metal plates; to Dec 21

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
● Don Giovanni: by Mozart. Production by Franco Zeffirelli; Dec 20
● Il Barbiere di Siviglia: by Rossini. Revival of a staging by John Cox; Dec 20, 24

■ PARIS

EXHIBITIONS
Centre Georges Pompidou
Tel: 33-1-4478 1275
www.cnac-gp.fr
Bruce Nauman: spanning the career of the American artist, b.1941, this exhibition focuses on his relationship with language, and includes sound and video installations as well as neon pieces like One hundred live and die (1984). The exhibition will travel to London and Helsinki; to Mar 9

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
● Der Rosenkavalier: by Strauss. New production conducted by Edo de Waart in a staging by Herbert Wernicke. Cast includes Renée Fleming, Susan Graham and Barbara Bonney; Dec 19
● La Traviata: by Verdi. Production directed by Jonathan Miller and conducted by James Conlon. Angela Gheorghiu sings the role of Violetta, Ramon Vargas is Germont; Dec 20, 24

Opéra National de Paris, Palais Garnier
Tel: 33-1-43439696
The Merry Widow: by Franz Lehár. Armin Jordan conducts a new production directed by Jorge Lavelli, with sets by Antonio Lagarto; Dec 19, 22, 23

■ ROME

OPERA
Teatro dell' Opera
Tel: 39-6-481601
www.themix.it
La Fiamma: by Respighi. This first production of the season is by Hugo De Ana, and is conducted by Gianluigi Gelmetti; Dec 19

■ VIENNA

EXHIBITIONS
Jüdisches Museum
Tel: 43-1-535 0431
www.jmw.at
Max Liebermann: selection of paintings by the German Impressionist dating from the period 1900-1918, during which the Jewish haute bourgeoisie flourished. Liebermann was an active collector of the French Impressionists, and his collection is partially reconstructed here; to Jan 18

■ ZURICH

EXHIBITIONS
Kunsthaus Zurich
Tel: 41-1-251 6765
Arnold Böcklin, Giorgio de Chirico, Max Ernst: Voyage into the Unknown, comprising 130 paintings, collages and sketches; to Jan 18

■ TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
Monday to Friday, Central European Time:

● **NBC Europe**
10.00: *European Money Wheel*
Nonstop live coverage until 15.00 of European business and the financial markets.
17.30: *Financial Times Business Tonight*

● **CNBC**
08.30: *Squawk Box*
10.00: *European Money Wheel*
18.00: *Financial Times Business Tonight*

Philip Stephens

After Hague's honeymoon

As wedding bells ring today for the UK Conservative party leader, there are still aspects of his image that he must alter if he is to win voters' support

The fortunes of Britain's Conservatives are looking brighter. Today William Hague, the party's young leader, marries his sweetheart. Within a year, maybe two, the patter of tiny feet will be heard in the Hague household. He starts his honeymoon just as Tony Blair's is ending.

Or so Mr Hague's close friends are saying. Some of us are averse to the idea of mixing politics with affairs of the heart. It seems a sad reflection of our intrusive society that a politician's public standing is inseparable from his or her private persona.

But image, so the image-makers tell us, is everything. Ffion Jenkins, the bride-to-be, is said to be a role model for the young professionals who must be won back to the Tory cause. And a wife and young family will bestow gravitas on the 36-year-old leader.

Mr Hague sorely needs a break. Mr Blair's administration is in the midst of a rough patch. Its legendary command of presentation has deserted it. The prime minister is embarrassed by the financial arrangements of one of his millionaire ministers. And it is beginning to dawn on Labour MPs that government is indeed about unpalatable choices, especially when it comes to overhauling the welfare state.

So there is an opportunity for the official opposition. The snag is that the Conservatives seem unable to do it. The Teflon-coating of Mr Blair's government may have been chipped by recent events, but its support still stands at more than double that for the Tories. Comparisons of the personal ratings of the two leaders are too cruel to detail. As Mr Hague acknowledged this week, he leads a party widely seen as greedy, selfish and lacking in compassion.

That is a fair assessment of the public mood. There is more, though, to the Conservatives' present misery than memories of the broken promises of 18 years in office. The right is in trouble in nearly all the big western democracies. The successful politicians are the hard centre-left who promise to add a human dimension to the free-market orthodoxy of the age.

Look out from Britain across the Atlantic and the Republicans in the US are in similar straits. Sure, they scored well in November's gubernatorial races. And we have lost count of the setbacks, political as well as personal, suffered by Bill Clinton. Yet his opponents lack either a coherent national agenda or a unifying leader.

It is much the same across the English Channel. Before his defeat of Alain Juppé in this summer's election, France's Lionel Jospin was yesterday's man. His unashamedly socialist platform was constructed on the premise that he would lose. Yet six months on, the French prime minister is almost as popular as Mr Blair. He has since seasoned Gallic principle with a little Anglo-Saxon pragmatism, but Mr Jospin remains one of Europe's most trusted politicians.

The common denominator on the right is division. In France, the Gaullist RPR and the centre-right UDF have been destabilised by the success of the far-right National Front. US Republicans are fragmented between Christian Coalition fundamentalists and mainstream moderates. In Britain, the Conservatives' lurch to the Eurosceptic right has stranded the standard-bearers of centrist One Nation Toryism.

Some of the wounds are self-inflicted, as much about personalities as policy. There is also, though, a more fundamental failure to grasp the mood of the times. The big mistake, I think, is as follows. The world of international capitalism is a more threatening place. Change is faster than we have ever experienced. Global markets, as we have seen most recently in Asia, are oblivious to social or political order. They have no respect for cherished values. People crave their lost security. It is hardly surprising they look for it in unthreatening political leaders.

> Mr Hague is an astute politician. So far he has proved himself Mr Blair's match in their weekly duels in the House of Commons

Messrs Clinton, Blair and Jospin have all, in varying degrees, grasped the message. They present government as a shield against the coldest winds of change. Markets are allowed their freedom, but the state is there to guard against the harshest consequences. The great success of 1980s leaders such as Ronald Reagan and Margaret Thatcher lies in moving the political centre-ground rightwards. Today's voters want the sands to stop shifting.

This is the point, I think, that Mr Hague has not taken. He is a clear-thinking man and an astute politician. Some consider him the best orator to lead his party since Harold Macmillan. So far he has proved himself Mr Blair's match in their weekly duels in the House of Commons.

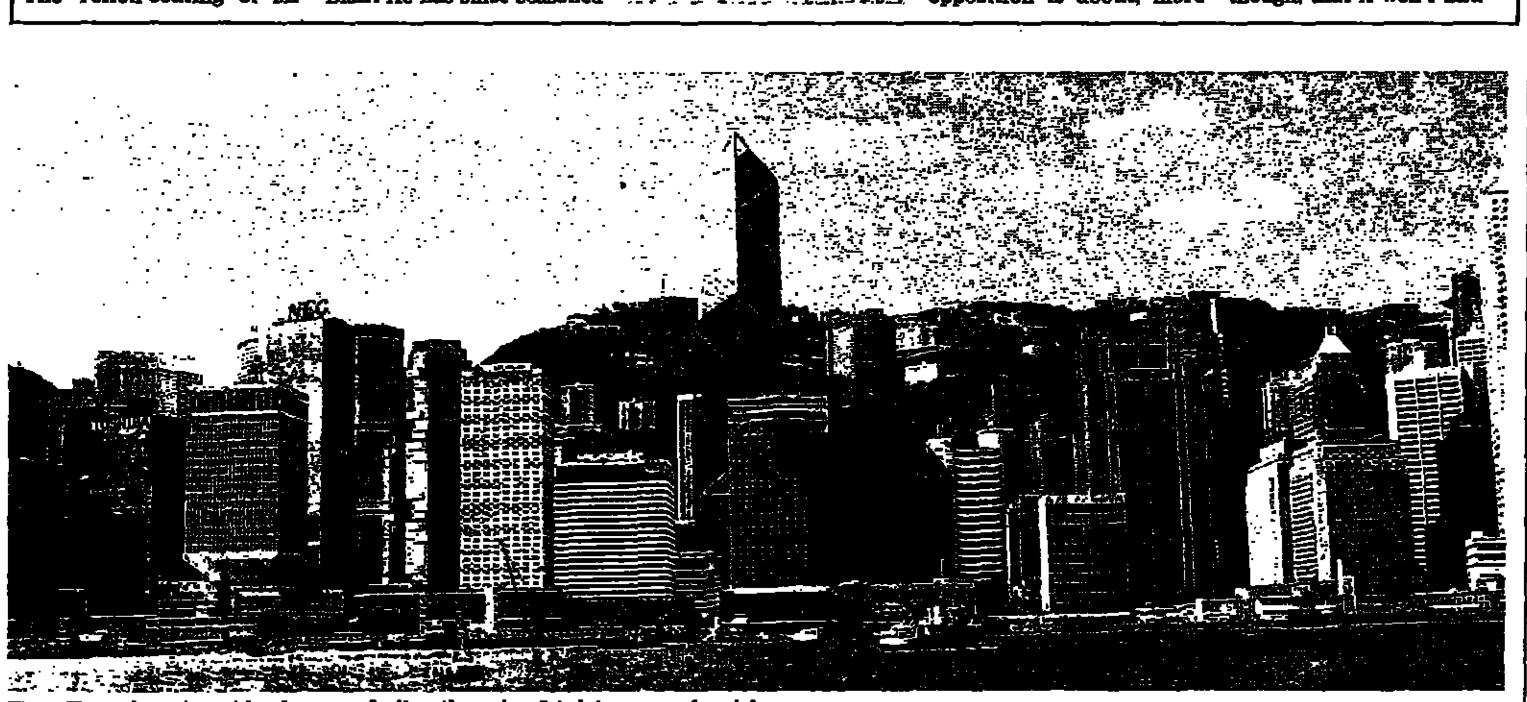
He has shown he knows how to discomfit the prime minister. Some will say the Conservatives' championship of the disabled against any cuts in state benefits, or Mr Hague's attacks on the financial interests of Geoffrey Robinson, the millionaire Treasury minister, smack of political opportunism. That is naive. Harrying the government is what opposition is about, more especially just after an election.

Yet there is something missing. Mr Hague is blind to the big picture showing the voters seeking reassurance before radicalism. The shadow cabinet is a creature of the right. Michael Heseltine and Kenneth Clarke tower over their Tory colleagues at Westminster. They barely conceal their scorn for the leader.

This suits Mr Blair perfectly. The loudest opposition to his policies is coming from the left – from the ranks of Old Labour within his own party and from the Liberal Democrats. Both can be relied upon to step up their attacks on his plans to curb welfare spending. The government is sure to become unpopular. But neither group poses a threat to its re-election.

As long as he stands on Mr Blair's right, Mr Hague will be unable to turn public discontent with the government into sustained support for the Conservatives. Mr Blair's pitch is easily imagined: if you are worried about my plans for the welfare state, just think what would happen if those right-wing ideologues got their hands on it.

It is here that image does count. Mr Blair casts himself as moderate, tough but reasonable. Mr Hague risks being labelled extreme. These two adjectives are the most important in politics. Elections are won by those perceived as moderate. Mr Hague, I am sure, will enjoy his honeymoon. I fear, though, that it won't last.



Hong Kong: investment bankers are feeling the pain of Asia's economic crisis — Picture: Sarah Murray

Glint in Asia's darkness

Pain for some could mean opportunity for others, writes Peter Montagnon

You can just about see your reflection in the highly polished walnut tables of Hong Kong's investment banking boardrooms. But though the surface lustre remains, the brows that peer back are furrowed.

Asia's investment bankers are feeling the pain of the region's economic crisis. Scarcely a week goes by without more bad news. Peregrine Investments Holdings, for example, is shedding 275 staff; Deutsche Morgan Grenfell is cutting back in Korea, Thailand and Indonesia; and layoffs have also been announced by Indosuez W.I. Carr.

But if the collapse in equity trading has wrought havoc with revenues and staffing levels, some bankers are in demand. Merger and acquisition specialists are being snapped up as the regional investment banking community adjusts to a different era.

Many believe the Asian economic crisis could transform an industry that has hitherto lagged behind the rest of the world in sophistication. "The landscape is changing for ever," says Richard Margolis, head of equity research at Merrill Lynch (Asia).

With the economic crisis has come a realisation that the old way Asian companies did business cannot continue. Tycoons can no longer buy and sell each other's companies over bottles of premium whisky at night-long games of mahjong. Nor can they rely on a bank overdraft as their basic source of debt finance. Instead, they need investment bankers to bring in outside capital and professional advice to cleanse their balance sheets and restructure debts.

Asia has long been one of the few regions where commercial banks have held their own against the tide of securitisation. This may be about to change as companies are forced to focus on financial techniques to help manage their liquidity and hedge exposures.

So, for the large US investment banks in particular, Asia's economic crisis presents a new opportunity. Having acquired a commanding presence in Europe over the past decade, some now discern an opportunity for a concerted push on Asia. It may not be all that much. Few believe that extra revenues from corporate finance will replace those lost from equity trading and new issue business in the short term. But it is something.

Executives at leading international houses acknowledge that Asian revenues next year will be flat or down on those of 1997 – which were boosted anyway in the first half by an extraordinary run of lucrative new issue business from China. Over time, however, they expect their mix of profits to change as new activities develop.

The focus is on two main areas: mergers and acquisitions, and debt refinancing.

Mergers and acquisitions have hitherto been taboo in Asia where most company presidents would run a mile rather than consider even a semi-hostile bid. Now investment bankers say there is money to be made bringing together multinational corporations looking for cheap Asian assets and debt-laden Asian companies anxious to raise cash by divesting unwanted activities.

This is happening not only in the financial sector, where the Zurich Group has bought a stake in Peregrine, but also among industrial companies. In Korea, Procter and Gamble, the US consumer-products group, has bought Ssangyong Paper while Robert Bosch, a German industrial company, has bought control of its joint venture with the troubled Kia motor group. Nutricia International, the Dutch food group, is planning a friendly bid for Indonesia's largest baby food producer. And Thai Petrochemical is looking to sell its cement plants as it struggles to meet debts.

Interest in mergers and acquisition business had started to grow before the crisis hit, says V. Shankar, head of Asian investment banking at Bank of America. This reflects a generational change at large companies controlled by overseas Chinese families. As their founders grow older, a younger generation, trained in US business schools, is taking over.

And with the supply of credit drying up because of the crisis, Asian corporate treasurers are having to pay even closer attention to liquidity, profitability and balance sheet management. Hence the interest in trading assets, says Mr Shankar.

Separately, many industrial companies face a need for debt refinancing that will convert short term floating rate debt into longer term fixed-rate debt.

David Hudson, Asia-Pacific head of corporate finance at ING Barings, reckons Hong Kong investment bankers are working on about 50 mandates from Asian governments and companies for US domestic debt issues. A recent \$750m (£455m) issue from the Indonesian Pindo Deli paper manufacturer shows that borrowers can find investors willing to buy their paper if they are prepared to concede a large premium over US treasury issues.

Most bankers believe that, when buyers return to Asian markets, they will head first to the bond market and only later resume their purchases of equities. For some companies the issue of convertible bonds may form an important way of rebuilding confidence. Korean officials say they expect large companies to use this instrument as a means of gently bringing down their gearing.

But who, among the financial houses, will benefit from these two broad trends? The large international investment banks with their broad range of services, client contacts and distributions skills, reckon they are naturally well-placed to benefit.

There will almost certainly be lucrative opportunities for specialised niche institutions as well, they say, and most agree that middle-ranking houses will be squeezed, especially those that rely on commodity-type business, such as institutional equity trading. Some multinationals may prefer to seek out local advisers with a detailed knowledge and a worm's eye view of the market.

Connections still matter in Asia, and those that can find the local investment opportunities stand to do good business. Alexander Adamovitch, a Peregrine director, points out it was his company, not a US investment banking giant, that managed to introduce Danone, the French food company, to China where it has established a joint venture with a local company.

Mr Adamovitch believes the scope for such deals will increase. With the help of the Zurich Group, its new shareholder, Peregrine is setting up a venture capital fund aiming to raise \$500m. "We've never had a management buy-out in Asia," he says "This will happen."

There will also be moves to take listed companies with good cash flows and low share prices private, using the sort of techniques developed by KKR in the US, says Barings' Mr Hudson.

How quickly these changes come about is another matter. Some suspect that there may be an element of whistling in the dark about the optimism. Even where there has been a generational change, the founding fathers are still pulling the strings, says Robert Sassoon, head of research at SocGen-Crosby.

Evidence of resistance to change in Asia's financial markets comes from the development of domestic currency bond business. This has expanded only slowly in spite of a euphoric World Bank report two years ago promising a tripling of outstanding issues in the next decade.

Yet, even if the development is slower than the most ambitious investment bankers would like, the economic crisis may force the pace of innovation. Much depends on whether regional governments maintain the pace of financial market liberalisation, or even accelerate it as South Korea has promised to do under its International Monetary Fund rescue programme.

If governments swallow their IMF medicine, there could be a renaissance in Asian investment banking. The chance to sell new products in new markets would mean that, for some, there is a silver lining to Asia's cloud.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e.mail: letters.editor@ft.com
Published letters are also available on the FT web site, http://www.FT.com
Translation may be available for letters written in the main international languages.

IMF is long overdue in establishing means to assess its effectiveness

From Mr Denis Richard.

Sir, Jeffrey Sachs' Personal View "Power unto itself" (December 11) on the need to reassess the role of the International Monetary Fund goes beyond the seasonal Rocky bash – Sachs versus the IMF – because it raises three important dimensions of governance for multilateral institutions: accountability, information and transparency.

At its simplest, accountability means holding public officials responsible for their actions. Economic objectives of public accountability include congruence between public policy and actual information, and the efficient allocation and use of resources. This not only requires systems of financial accountability, but also the capacity and willingness to monitor and evaluate the overall economic performance of the IMF.

Adequate and reliable information is a precondition for accountability, and refers to the availability of and access to information from public and private sources, and transparency of decision-making processes.

The IMF's executive board, representing the governors of member countries, is deprived of an independent evaluation of the work of the staff. By comparison, the World Bank executive board can draw on the output of the operations evaluation department that answers directly questions from the board. Occasional evaluations of IMF operations have been carried out in the past but always by the staff itself.

By definition, this casts doubts on the validity of such work as it invariably concludes that, with the exception of a few misplaced commas and sentences, all is fine in the IMF universe. An example of this is the evaluation of the Mexican crisis. It was conducted by a retired senior staff member, produced some recommendations of strengthening of surveillance, the utility of which can now be assessed in the light of the Asian crises, and shifted the blame on to another retired senior staff member!

The IMF created in mid-1996 an embryo of an evaluation department, but unfortunately it responds directly to management and not to the IMF board and none of its findings has so far been made available to the board or the public. An independent evaluation capability is a necessary step. But it would not be sufficient to ensure better governance for the IMF as the process of feeding back the lessons learnt is another treacherous task for the board.

Strengthening the governance of the IMF (accountability, information and transparency) is long overdue, as Mr Sachs has clearly pointed out using the Korean case. The shareholders and the board of the IMF should give themselves the means to assess the work of an international organisation with so much power.

Denis Richard,
chief economist and partner,
IZI metodi, analisi e valutazione economiche,
Via Cornelio Celso, 11,
00161 Rome, Italy

From Professor Jeffrey D. Sachs.

Sir, I welcome the invitation of Shailendra Anjaria, the IMF external director, to readers to examine the IMF web site to see what the IMF has actually said and known about the Asian financial crisis (Letters, December 17). The rest of Mr Anjaria's letter, however, is disingenuous. The fund gave no hint of worry about an east Asian financial crisis until the outbreak of the crisis itself. As recently as the IMF's World Economic Outlook of October 1997, the IMF forecasts Korean growth in 1998 at 6 per cent (Table A2, p.148). Who is kidding whom about early warnings?

The simple fact is that neither the fund, nor most others, had even an inkling of the maelstrom that was about to hit, and that is the main reason that Asia has been hit by a financial panic that vastly exaggerates the fundamental ills of the Asian economies.

The IMF has not stopped the panic, and arguably has added to it, both by its rhetoric (which underplays the role of panic and overplays the weaknesses in Asia) and by its draconian macroeconomic policy conditions. Since the time the IMF has signed each Asian bailout programme, the respective Asian currencies have continued to plummet.

I am delighted to read from Mr Anjaria's letter that the Korea letter of intent has been made public in the past few days. This is apparently still not the case with Indonesia, Thailand and the Philippines. It remains IMF policy to keep these crucial documents secret unless the borrowing country chooses to make them public (a relatively rare event).

Dozens and dozens of programmes still operate under a veil of secrecy. Moreover, the IMF has never declassified these documents, even after decades. The secrecy of the documents, and much important surrounding materials, makes it impossible to sustain broad public and professional scrutiny of IMF operations. IMF press releases don't suffice. In short, the IMF gets away with serious mistakes of judgment that never come to light. In the IMF's public pronouncements, any programme shortcoming is inevitably the fault of the borrowing country.

It will be interesting and important to see if the IMF can change its ways. I am placing a standing order with Mr Anjaria's office for all published IMF letters of intent, and for supporting documents. Moreover, I am requesting all letters of intent that have been made public in the past five years (alas, very few, but let us see!).

I hope that other interested observers will also push the IMF for public disclosure of relevant documents. It is long past time to shed light on the actions of this sometimes very valuable, but occasionally harmful, institution that acts in the name of the global public.

Jeffrey D. Sachs,
director,
Harvard Institute for International Development,
One Eliot Street,
Cambridge,
Massachusetts 02138,
US

Wider cost of bungling

From Mr Alan Dillarstone.

Sir, The three-month postponement of the January 1 1998 deadline on enforcement of the European Commission decision to ban specified risk material (brain, spinal cord, etc) as well as materials not certified as SRM-free includes, as your report "UK threatens to halt beef imports from EU" (December 15), noted, "life saving drugs" and "tallow in cosmetics". However, few consumers (or newspaper reporters) realise that many everyday products will be affected – toilet/household soap, many laundry, household and body cleansing products, candles, fabric softeners, gelatine foods and gelatine-encapsulated products, to name but a few.

Already the cost of "certified" raw materials, such as tallow, is climbing and they are less available. While the three-month delay is welcomed, you can expect European consumers to pay, directly or indirectly, for this Brussels bureaucratic bungling. Who knows, somebody may find you can get CJD from your leather shoes, or sofa. Has anyone done a risk analysis/assessment yet?

Alan Dillarstone,
46 Alle de la Fraineuse,
Tilff B4130, Belgium

Conditions for EU entry

From Mr John C. Carras.

Sir, Edward Mortimer rightly argues ("Pyrrhic victory", December 17) that Turkey both can and should eventually be a full member of the European Union. It would certainly be unacceptable to consider Turkey ineligible for religious reasons.

However, the claim that Cyprus' accession to the EU would create a barrier between Turkey and the rest of Europe is erroneous. Cyprus' entry would institutionalise Turkish as an official language of the EU and allow Turkish Cypriots to play their part within its institutions. This can only strengthen the bonds between the EU and Turkey.

Furthermore, it is clear that if Turkey's application is to be taken seriously, significant changes are needed within Turkey. These include acceptance that international disputes should be settled by peaceful means, a significant effort to solve the Cyprus problem, improvement of human rights within Turkey and rethinking the military's role.

Those who argue for Turkey's entry into the EU without emphasising the need for these changes are in the end doing Turkey a disservice, lulling it into a false sense of security. The tough line taken by the EU on the need for these changes in Turkey now increases the likelihood of Turkey's eventual entry into the EU.

John C. Carras,
20 Rue Jacob,
Paris 75005, France

Bottled up demand for car

From Mr Peter Davies.

Sir, Your article about the Chrysler CCV car ("The car they make from plastic bottles", December 13-14) – and in particular the remark that "the thought of a sophisticated westerner buying one as a town car is risible" – deserves comment.

Plastics (bottles and bags) are one of the banes of our civilisation: whales die from ingesting plastic bags, and the countryside and seas are disfigured and damaged by plastics. Any consumer device that re-uses these plastics must therefore be good for the ecology of the planet.

I feel sure that there are many people like me who are looking for just this sort of car. Go ahead Chrysler – produce it. I would be one of your buyers.

Peter Davies,
Al Khoban, Saudi Arabia

Too soon to suggest that gold is a 'goner'

From Mr Julian Nokes.

Sir, It will indeed be interesting to see if Kenneth Gooding and so many "experts" (including "the new breed of central banker") are right to say that "gold is a goner" ("Death of Gold", December 13-14). We shall see.

Gold has been in a bear market since January 1980 but, although Mr Gooding does not say so explicitly, there is evidence that gold has been a prized store of value for as long as the last 5,000 years. Eighteen years out of 5,000 is but a blip on the lifetime chart. Relatively speaking, this is a short-term view. It will take far longer than 18 years on the sidelines for gold to become a "goner" as an investment.

Mr Gooding also cites Yale professor Robert Triffin's quotation but fails to consider why the irrational behaviour he describes continues, even to this day.

It is perhaps not surprising that so many people seem to ignore the evidence of history while there are so many more exciting games in town.

However, these premature forecasts of the demise of gold as an investment should ensure, I suspect, a healthy two-way market in the yellow metal for at least the next 5,000 years.

Julian Nokes,
176 Campden Hill Road,
London W8 7AS

COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Friday December 19 1997

Enter another Mr Kim

After the dismal performance of Kim Young-sam as South Korean president over the past five years, it is time for a transformation in the country's politics. But Kim Dae-jung, who is to be installed as president in February following his victory in yesterday's election, has yet to prove that he has the qualifications required to modernise his country's flawed democracy.

The challenges he faces are formidable, and meeting them is made all the harder by the narrowness of his victory. The most pressing task is to implement wide-ranging economic reforms so as to secure a return to sustainable growth in the medium term.

But there are three other, equally important tasks if the new president is to efface the legacy of corrupt and incompetent administration bequeathed by his predecessor.

He must restore to the office of the presidency – which is highly powerful under Korea's constitution – the reputation for clean, decisive and able government, which it now sadly lacks. He must make politics more inclusive, by persuading unions to co-operate in economic reform rather than provoking violent confrontation. Last but not least, he must seek a more conciliatory relationship with North Korea. The strident tones of the outgoing president added to regional tension.

To these tasks D-J, as he is almost universally known, brings a reputation for limited understanding of economics, sympathy with organised labour, and a politician's charm that Lee Hoi-chang, his main opponent in the election, lacks. Though he has a long pedigree as a dissident, D-J also embodies the authoritarian instincts of most Korean presidents. His support among unionists, small businessmen and farmers makes him instinctively resist economic reform.

For Korea's establishment the defeat of the ruling party is a bitter blow. Mr Kim could indeed help break the pernicious alliance between government and big business that has helped to create the present economic crisis. That would help improve the quality of government. But he will find plenty of vested interests standing in his way. He could be forced to undertake some unpleasant purges in the country's entrenched bureaucracy, and little is known of the quality of those who will come to influence in their place.

The task of engineering a more conciliatory line to North Korea thus looks easier than the other challenges whose import is mainly economic. It is hard, for example, to imagine D-J undertaking the reform of Korea's restrictive labour laws. Yet the honeymoon period of a president who enjoys a degree of trust among organised labour may be the best opportunity for such a change.

The real secret of success will be to proceed immediately and decisively on economic restructuring and take the pain during the first year or two of his five-year mandate. That way he will win vital support from the international community. If he dithers, D-J will take his country further down the path to economic collapse. If he has the courage to act quickly, he could end up revered by his compatriots as the saviour of the nation.

Sam's travels

America's most admired retailer has landed in Europe. Should local competitors be worried?

Wal-Mart's purchase of the Wertkauf chain of 21 hypermarkets is a sign of the renewed interest, among big store chains, in international expansion. It is a tradition that goes back to Woolworth and JC Penney, but has been marked as often by failure as by success.

Recent moves have continued this patchy record. McDonald's has been consistently successful; Kentucky Fried Chicken has needed several relaunches. Marks and Spencer has done well in France, poorly in Canada. Ikea has triumphantly exported Swedish style; Tengelmann has struggled with A&P. Tesco quickly pulled out of its French acquisition.

To succeed at cross-border retailing, you need a strong brand at home, a sales proposition so powerful it will survive in the very different retailing environment overseas. Then you must have the confidence to make small adjustments to the formula to meet local tastes – while preserving the fundamental proposition.

Thus, McDonald's sells beer and wine in its French stores, and Ikea sells Americans beds in US sizes. But both are recognisably the same stores abroad as at home.

Wal-Mart achieves this, too. Its Latin American ventures are growing rapidly, putting pressure on local rivals. In Europe, where there are strong retailers already, it faces a stiffer challenge. But its ambitions are boundless. Sam Walton, Wal-Mart's founder, once said "we'll lower the cost of living for everyone, not just in America". European store chains may yet have cause to rue those words.

Military liberals

President Bill Clinton's attempt to rebuild America's fast-fraying national consensus through a desultory "conversation on race" has so far done more to expose problems than to solve them. But there is one thing on which most people agree: the army has something to teach civilian America about racial integration.

Although it was seething with prejudice 20 years ago, the army has become one of the few US institutions where African-American achievement is unquestioned. Nine per cent of US generals are now black, and no one suggests that standards have been compromised.

Significantly, the army avoids timetables and quotas, but affirms the principle that the racial mix of soldiers appointed to any rank should broadly reflect the pool of people in the rank below who are eligible. If this pattern is broken, the response is to boost skills, not lower standards.

This experience offers both comfort and lessons. Those on the right can point to the army's insistence that merit need not be sacrificed; but they have to admit that "skill-boosting" requires money and political will. Liberals applaud the army's conclusion that the exclusion of any racial group from the higher ranks is unacceptable and dangerous. But they must acknowledge that promoting those who are manifestly unqualified can embitter those who are excluded.

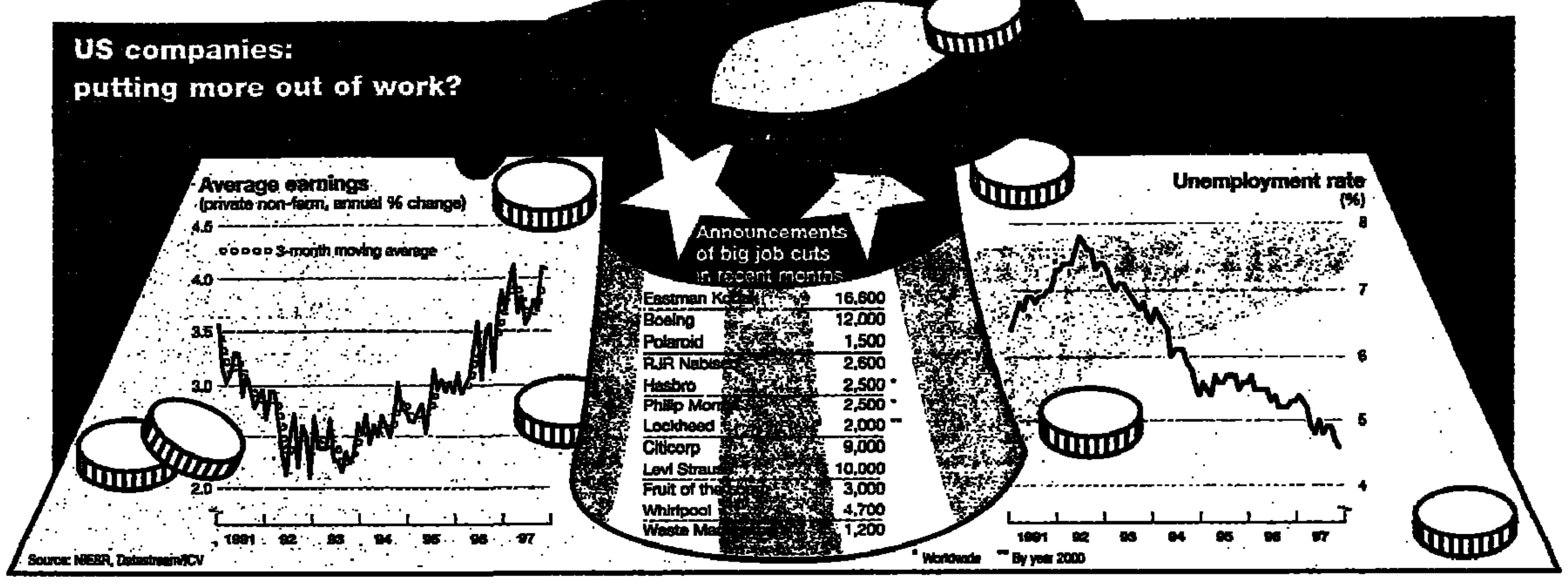
It is this factor – the resentment of those who consider themselves victims of affirmative action – that is threatening to create a new chasm in American public life. This anger fueled the referendum in California, and the court case in Texas, which have virtually outlawed racial preference in admissions to universities.

In practice, of course, the civilian world possesses neither the resources nor the top-down command structures needed to reproduce the military's achievement precisely. But the army's record drives home one important reality. Whenever an institution – be it an army platoon or a business corporation – senses that its survival depends on developing practical and accepted solutions to racial issues, it does just that.

Unfortunately, politicians seem not to feel any such urgency. Much petty bickering is in store over Mr Clinton's nomination of Bill Lann Lee, an Asian-American lawyer who supports affirmative action, as civil rights chief. This squabbling will simply accelerate the breakdown of consensus.

Yet the building blocks needed to reconstruct a broadly based racial policy do exist. Very few politicians regard the creeping resegregation of the university system as acceptable; yet not many view crude discrimination, in defiance of public opinion and Supreme Court rulings, as the answer either.

The public, while increasingly hostile towards racial preference, still favours giving a helping hand to the economically advantaged. Those are the parameters within which a new approach to race can be worked out. But the poor quality of recent debate on Capitol Hill inspires little confidence. Politicians should concentrate as hard on this issue as the generals have.



Return of the downsizers

Corporate America is experiencing another wave of job cuts. **Richard Waters** says this is only part of the story

In Rochester, New York, mass firings have become a familiar event over the past decade as Eastman Kodak, one of the big manufacturing companies based there, has drawn in its horns.

Elsewhere in the Kodak world, though, things used to look rather different. Like many US multinationals, the company has poured a large part of its investment into building new markets for its products around the world, increasing revenues from abroad to the point where they now account for more than half of the total and largely insulating workers elsewhere from the downsizings in the US.

Not any more. One of the most famous American brand name companies yesterday sharpened its axe for what adds up to its first sweeping job cuts abroad: nearly one in four workers will fall victim to the company's latest attack on costs.

Kodak is not alone. With the economic contraction in east Asia following a period of rapid expansion overseas, the search is on among multinationals for ways to run their international networks more efficiently.

This is one message to emerge from a new round of corporate restructurings that has swept corporate America in recent weeks. Not since the beginning of 1996, when AT&T triggered a public outcry and a political backlash against downsizing with its plan to slash 40,000 jobs, has the subject assumed such prominence.

And while many of the forces that produced previous waves of downsizing remain the same, there are other factors at work suggesting both that American companies are facing a new squeeze on profits – and, perhaps paradoxically, that the availability and cost of new workers in the US after the long economic expansion are becoming sources of concern.

This week has witnessed the two biggest retrenchment plans of the year so far. Kodak has said it will shed 16,600 workers (it had earlier said it expected 10,000 jobs to go); Boeing will cut 12,000 jobs next year, or one in 10 of the workers in its booming commercial aircraft division. These developments, and a batch of other big job losses this autumn from the likes of Citicorp, Levi Strauss and Whirlpool, amount to a fresh outburst of downsizing after a period of relative calm.

Does this mean the US is engaged in a frenzy of job-cutting? Hardly. It is important to keep the recent cuts in context: by this summer, job eliminations had dropped to their lowest level of the 1990s, according to the American Management Association. Even after the recent flurry of announcements, the number of jobs lost through corporate restructurings is running around 15 per cent below 1996, says Challenger Gray & Christmas, an employment consulting firm in Chicago that tracks public announcements. The number of jobs lost in the peak year for downsizings of 1993 was a third higher.

Nevertheless, the new outbreak of job cuts has created some concerns about the outlook for next year. Coinciding with signs that the 1990s boom in corporate profits may be drawing to a close, it has rekindled worries about job insecurity – even at a time when the US unemployment rate has fallen below 5 per cent.

To be sure, the effect of many of the new corporate retrenchments will be felt far from home. In the past two weeks, both Philip Morris and RJR Nabisco have said they will cut around 2,500 jobs, with foreign workers taking the brunt of the losses. Like many other US multinationals, Philip Morris has tried to stitch together an international business for its Kraft Foods unit by buying operations piecemeal in other countries. The next step will involve melding the operations into a more efficient global network, reducing overheads and concentrating production in efficient locations.

The same effort has been under way at Whirlpool – a company that has had to cut back on its ambitious globalisation plan this autumn after disappointing results from its ventures overseas. And Kodak provides a close parallel. The many small photo-finishing businesses it has bought outside the US have failed to generate adequate returns, says Michael Ellman, an analyst at Schroder Wertheim in New York. Squeezing out costs by trying to consolidate networks in different countries is now the order of the day, he adds.

This week's other mass downsizing, from Boeing, carries a very different message. While some other big companies have been shrinking, the Seattle-based aircraft maker has been hiring in large numbers to meet a boom in commercial aircraft orders, adding more than 30,000 jobs in the past two years. Many of these people, though, will now be laid off as Boeing seeks to boost efficiency.

"They simply hired people who don't have the skills to do the job," says John Challenger of Challenger Gray & Christmas. Like other US companies, he adds, Boeing has found it impossible to recruit or train the people it needs at a time when demand for skilled workers has created nationwide shortages.

While individual announcements such as Boeing's catch the headlines, it is worth noting that the forces behind the sudden corporate firings are similar to those at work in previous rounds of downsizing. With little power to raise prices – particularly after the devaluations across Asia have reduced US import prices – American companies are turning to cost-cutting as the best way to maintain the double-digit profits growth that has characterised the 1990s.

Job cuts among well-known companies have further encouraged the process of outsourcing, which means employment is shifting even more from big companies to specialised suppliers. Among this week's announcements was one from Polaroid, which said it would cut 1,500 jobs – the same number it shed two years ago. After a failed attempt to become a vertically integrated company, making its own photographic papers and chemicals, the maker of instant cameras has joined the fashionable outsourcing trend – one of the reasons why, according to the American Management Association, companies with between 100 and 500 employees have become the biggest job creators.

It would be wrong, though, to write off the big company. These may have been the biggest firers, but they also remain the biggest hirers. For every Kodak there is a Wal-Mart, the hugely successful discount retailer: now America's biggest private-sector employer, Wal-Mart says it added 41,000 jobs in the US last year, lifting the total to 670,000.

Middle-sized groups are still expanding – for now, say **Peter Marsh** and **Nikki Tait**

Lean and hungry

The "heartland" companies of America are a little behind their big brethren – and catching up. While US multinationals such as Eastman Kodak cut jobs in their thousands, many medium-sized groups are still adding jobs and capacity, including abroad. They are making hay while the sun shines – and may soon face the same sorts of pressures that have caused the giants to downsize.

In spite of the crisis in Asia and sluggish growth in Europe, many US engineering companies say they are only now reaping the rewards of organisational changes of the past five years. Over this period, much of the US's engineering industry has pushed up sales, expanded internationally and gained market share in niche sectors from industrial valves to lift trucks.

Stephen Hardis, chairman of Eaton, a $7bn-a-year maker of vehicle parts and control equipment, hopes to boost annual sales to $10bn by 2000 through a combination of acquisitions and organic growth. His company has increased sales from less than $4bn in 1994.

With nearly 80 per cent of its sales in the US, Eaton intends to expand abroad. Shrugging off the recent turmoil in Asia, Mr Hardis says: "We'd like a bigger part of the Korean or Japanese economy. If attractive acquisitions came up in these countries, we'd buy them."

Also upbeat is Bill Keyes, chairman of Johnson Controls, one of the world's two biggest makers of seating and other interior parts for cars. Its annual $7bn sales have grown from zero in 1984 when it latched on to the big carmakers' requirement for outsourced supplies, one reason for the latest round of job cuts among big companies. Mr Keyes hopes to add a further 11 seat plants in the next year worldwide to the 133 Johnson already operates, mainly as "satellites" to car assembly factories.

Even larger companies are planning to grow by foreign acquisition. At Case, one of the world's big four tractor makers and a large suplier of construction equipment, Jean-Pierre Rosso, the chairman, says gloom in the US about the European business climate is overdone. Case has prospered, he says, through "cherrypicking" – buying six medium-sized companies in Austria, the UK and Germany over the past two years. "When I look at Europe I see some promising companies which can add to our product line."

But not all medium-sized companies are so confident. Many say 1998 will be a much tougher year: the best they will be able to do is hold their businesses steady. A recent Bank of America survey of more than 600 executives at medium-sized companies in the mid-west found that 57 per cent did not plan any significant capital investment in the first half of 1998, up from 47 per cent six months earlier. About two-thirds thought their labour workforce requirements would be unchanged in six months.

"These may be the early signs of an economic pullback," says Marcus Acheson, head of Bank of America's commercial banking division. "Capital spending has been instrumental in increasing productivity ... If capital spending slows, an economic downturn may not be far behind."

· OBSERVER ·

The Yanks are back

■ How time flies. It seems like only yesterday that Credit Suisse was bailing out its wayward US investment bank First Boston after it lent too much to the wrong sort of people in the mergers and acquisition boom of the late 1980s.

Credit Suisse took charge of the Wall Street firm and has been trying to build Credit Suisse First Boston into a European-owned investment bank to match the likes of Merrill Lynch, Goldman Sachs and Morgan Stanley. But for all its razzmatazz and huge capital base, CSFB has been gently slipping down the league tables, beset by rivalries between London and New York and squabbles about pay.

Now that Hans-Ulrich Doerig, CSFB's chairman and chief executive, has been kicked upstairs to be vice chairman of the Credit Suisse Group, the Americans are firmly back in charge. Doerig was the last Swiss on the executive board, which also includes Germany's Oswald Grübel and Britain's Stephen Hester – both based in London – and five Americans.

Allen Wheat, 49, who founded the group's powerful derivatives business, gets to be chairman and chief executive responsible for meeting Credit Suisse's unimpressive target of a 15 per cent return on equity. It's half what CSFB earned in the early 1990s, but perhaps the Swiss reckon that if they aren't too greedy they won't need to rescue CSFB in the next bear market.

Fudged Noel

■ Are Japan's leaders gluttons for punishment? For the past few weeks, bureaucrats and bankers have been going short of sleep and leisure time, toiling through the night, weekends and public holidays to contain the unfolding financial turmoil.

Some bureaucrats are clearly feeling the strain. The finance ministry official in charge of income tax fell asleep yesterday at a press briefing on the tax cuts. It was hardly surprising: he had been slaving away around the clock on the ruling Liberal Democrat party's first lot of budget proposals when Wednesday's tax U-turn hit.

Now the government has decided to hold the crucial cabinet debate on the tax cuts on Christmas Day. Japan has a history of taking tough decisions at Christmas: the Tokyo markets are open, but most others are closed, so the impact of any news is muted.

The country doesn't officially celebrate Christmas, but many Japanese join in the festive spirit. And Japanese market watchers in the rest of the world might find it hard to concentrate on their Christmas lunches, especially if the government does decide to change its plans.

At least Daiwa and Nikko Securities can take it easy at Yuletide: their trading bans – punishment for alleged illegal payments to racketeers – start on Christmas Day.

Question time

■ Nairobi-based journalists got a shock when they read in Kanu's slick election manifesto that Kenya's ruling party has "respected and preserved the freedom of the press at all costs". Sceptics were invited to watch President Daniel arap Moi on television on Wednesday night fielding uncensored questions from local journalists – unprecedented for this most reluctant of interviewees.

Surprise, surprise, the pre-recorded session, which had been heavily advertised on the country's main commercial station, was pulled at the last moment. This may be a new era in Kenyan politics, but let's not get carried away.

Poleaxed

■ Poland's way of handling its accession talks with the European Union may not please everyone. There had been some talk of Ryszard Czarnecki, minister responsible for EU affairs, being bypassed, but few were expecting a new top-level committee to handle the negotiations.

Not that the new structure clarifies much: It'll be headed by Prime Minister Jerzy Buzek, but Jacek Saryusz Wolski, Poland's prickly top expert on the inner workings of the EU, is tipped for the post of committee secretary and *de facto* chief negotiator.

Not only is it not clear who's in charge, but Wolski, who helped to draft Poland's EU association agreement in the early 1990s, has a reputation for stubbornness in Brussels. Eurocrats will be queueing up to deal with Hungary, Slovenia, Estonia and the Czech Republic.

Prime placing

■ Slightly worrying noises from Rio de Janeiro, which is planning a foreign bond issue to follow a successful one last year. In 1998, the city says, it intends to sell $50m of bonds to European retail investors.

According to Rio's tourist office: "A city view will be printed on these debentures, because European investors like to frame them and hang them on the wall." Yes, but usually only after they've defaulted.

The Financial Times

50 years ago

Indian Dollar Needs
India's acute difficulties in finding sufficient American dollars for her needs, and the undue speed with which the country's dollar reserves were being consumed, were referred to by Mr. C.H. Bhabha, the Indian Minister for Commerce, at a Press conference in London yesterday. Mr. Bhabha said that the Indian Government was expecting a delegation from Great Britain to arrive in Delhi in the near future to negotiate a new agreement on sterling balances.

Dutch Ships For Argentina
Amsterdam, 18th Dec. Under a five-year pact with Argentina Holland will build 30 vessels for the Republic – three passenger vessels and three tankers in the first year. In exchange Holland will receive, inter alia, 12,000 tons of leather, 50,000 tons of grain, 35,000 tons of flax and linseed cake and 5,000 tons of wool.

Australian Bank Act
Sydney, 18th Dec. Pressing for an early High Court hearing of challenges to the validity of the Australian Government's Banks Nationalisation Act, Government Counsel declared in the High Court to-day: "It may become necessary to use the Act because of disturbances in world economic conditions."

FINANCIAL TIMES
Friday December 19 1997

Kim wins slim election victory in South Korea

By John Burton in Seoul

Kim Dae-jung last night won a narrow victory in South Korea's presidential election in the first peaceful transfer of power to the centre-left in the nation's 50-year history.

With ballot-counting almost completed, Mr Kim had 40.4 per cent against 38.6 per cent for Lee Hoi-chang, the government candidate, a difference of fewer than 450,000 votes out of 26m cast.

Mr Kim, 74, who was making his fourth bid for the presidency since 1971, benefited from public anger against the government for the nation's economic crisis, including its request for a $57bn bail-out from the International Monetary Fund.

The opposition leader criticised the tough IMF conditions, although he has promised to support the programme in principle.

The US yesterday underlined that Korea should press ahead with the IMF programme. Mike McCurry, the White House spokesman, said: "It's been fairly clear that the Republic of Korea would like a jump-start on some of the aid that it has available, but it clearly is in our best interest, and we believe in their best interest, for them to move forward on the IMF package as quickly as possible."

Mr Kim's election is likely to rattle Korea's financial markets and foreign investors because of doubts about his commitment to implement the IMF package.

He is distrusted by business and conservative voters for his social democratic views in a country where anti-communism remains the guiding ideology because of South Korea's confrontation with Stalinist North Korea.

Mr Kim's election caps an extraordinary career as a campaigner for democracy, including nearly being killed twice by Korea's former military rulers in the 1970s and 1980s.

Mr Kim's slim electoral mandate, although similar in size to the victories in the two previous elections, could make it difficult to heal regional divisions in South Korea. Mr Kim swept the western half of the nation, including his political base in the underdeveloped south-west Cholla region. Mr Lee performed best in the government stronghold in the nation's eastern half.

Although the government would normally be guaranteed victory because of the majority centre-right vote, it was defeated by a split in its ranks between Mr Lee and Rhee In-je, an independent candidate, who received nearly 20 per cent of the vote.

Mr Kim will not be inaugurated for his single five-year term until February 25, which leaves Korea in limbo for the next two months during economic uncertainty and political weakness because of the unpopularity of Kim Young-sam, the current president.

Although the president has vowed to work closely with his successor, the transfer of power is likely to be marked by squabbling since the two men are bitter political rivals.

Editorial Comment, Page 15

Russia may halt sale of missiles to Greek Cypriots

By Lionel Barber in Brussels, John Barham in Ankara and Bruce Clark in Washington

Russia has signalled that it is ready to halt the sale of S-300 anti-aircraft missiles to the Greek Cypriot government in return for financial compensation, it was being said within Nato yesterday.

Yevgeny Primakov, Russian foreign minister, passed the message during a visit to Nato headquarters in Brussels this week, it was said.

The Russian move offered a glimmer of hope in the growing crisis over Cyprus between Turkey and the European Union. The EU angered Turkey last weekend by setting a date for accession negotiations with Cyprus, while snubbing Ankara's application for membership.

Mesut Yilmaz, Turkish prime minister, threatened on Wednesday to withdraw Turkey's membership bid, but other government officials suggested yesterday this was unlikely.

"There is no decision on this," Sabah, the pro-government newspaper, quoted Bülent Ecevit, deputy prime minister, as saying. "We did not speak about this with Yilmaz. We will become a member of the European Union."

In a sign that Turkey intends to strengthen its economic relationship with the US following the EU snub, Mr Yilmaz said he would today sign an agreement at a ceremony to be witnessed by Al Gore, the US vice-president, to buy 49 Boeing 737 aircraft. THY, the Turkish airline, has valued the deal at $850m.

Turkey has threatened to integrate more closely with Turkish-occupied northern Cyprus if the EU launches the talks next April with the internationally recognised Greek Cypriot government. It has also vowed to knock out the Russian missiles, due for delivery in the spring.

The US and other Nato members were watching tensions over Cyprus with alarm because they threatened a regional military confrontation between Greece and Turkey, two long-standing Nato members.

"This is one of our biggest worries in 1998," said a Nato diplomat. "We are dealing with something which is unpredictable."

The Russian government's motive for selling the surface-to-air missiles to the Greek Cypriot government appeared to be financial rather than an attempt to sow discord within Nato, according to officials familiar with the deal.

Washington set to offer a rare welcome to Turkey, Page 2

THE LEX COLUMN

Double damage

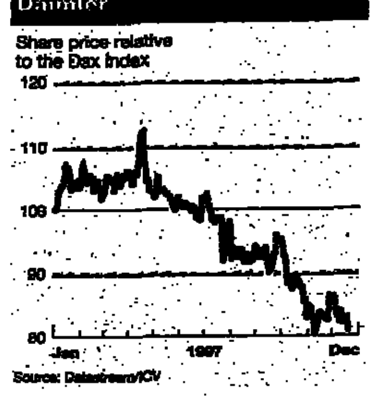
Embarrassing safety problems with first the A-Class and now the Smart car show Daimler-Benz's ambitions have outstripped its capabilities. Underlying the two costly failures is a rash response by its car business, Mercedes-Benz, to the sharp downturn in the German market in 1993. That recession – compounded by Japanese competition – forced German car manufacturers to embark on a period of hectic innovation. Some – such as VW with its new Audi models, or Porsche with its Boxster – succeeded. Mercedes, on the other hand, could now write the textbook on how not to introduce new products.

Whereas the trend in the rest of the industry has been to reduce the number of platforms on which models are produced, the Smart and A-Class created new ones. Furthermore, to introduce a product as risky as the Smart – an inelegant and inexpensive urban runabout – in a location with no history of car assembly was bold enough. But to attempt such a feat with a new workforce and a revolutionary integration of suppliers in the process was reckless. That the result is a six-month delay to the car's launch should not really be a surprise.

While the cost of the delay – in lost sales, marketing expenses, capital costs and supplier penalties – may look trivial to such an industrial behemoth, the damage to Mercedes' image as a luxury carmaker may be longer lasting.

FTSE Eurotop 300 index
984.8 (+0.9)

Daimler



Source: Datastream/ICV

Dresdner Bank

Dresdner Bank shareholders must be praying that the merry-go-round at the top has finally stopped. Hans-georg Hofmann yesterday became the third senior official in recent months to succumb to a tax scandal, while at least three other top bankers have left, or departed early. If that were not enough to put the wind up investors, a large investment banking acquisition in the US has also been widely trailed. Despite this, the bank still trades on a heady multiple of 22 times next year's earnings, notwithstanding a measly return on equity of around 11 per cent.

This of course has little to do with Dresdner and everything to do with expected consolidation in German banking. With heavy cost-cutting frowned on in Germany, the best hope is for the sort of tax-driven asset swap that allowed the two Bavarian banks, Hypo-Bank and Vereinsbank, to merge. The Dresdner cross-holdings with Allianz and Munich Re provide the bargaining chips, with Commerzbank the logical target.

This would be the dream ticket. In the meantime, shareholders are left wondering whether investment banking is where the bank should be expanding. If there is a silver lining, it lies in the promotion of the youthful Gerd Hänsler to run investment banking. The cosmopolitan former Bundesbank golden boy can only benefit a bank whose external relations have hitherto been woeful. He may finally provide the impetus that allows Dresdner to emerge from the shadow of big brother Deutsche Bank.

Wal-Mart

Wal-Mart could hardly have chosen a worse day to go shopping in Europe. Its acquisition of Wertkauf, a private German hypermarket chain, was overshadowed by yesterday's profits warning from Metro, Europe's largest retailer and second in size only to Wal-Mart itself.

The Wertkauf purchase signals a shift in the US group's international strategy. Admittedly, Wal-Mart is only dipping a toe into the water: Wertkauf's $1.4bn of sales equates to barely 1 per cent of its annual turnover. But the US retailer's overseas expansion had previously been confined to Canada, Mexico and developing countries like Brazil and China. In most of those markets, Wal-Mart has a competitive advantage, as the only retailer with the resources to invest in distribution and information technology and to offer a wide range of products at a consistent quality. Even so, the group's international division has only turned profitable this year. Tackling Europe's sophisticated and highly competitive retail industry will be a very different challenge. Corporate history is littered with retailers whose foreign adventures turned into disasters.

So why risk attacking Europe now? One possibility is that Wal-Mart sees a big shake-up coming in European retailing – as, by the by, does Metro – and wants to play its part. More likely, with the group approaching saturation point in the US, where it accounts for over 40 per cent of discount store sales, it is increasingly being forced to seek growth abroad.

Asda

You have to hand it to Asda. They have done it their way, and they have succeeded handsomely. Faddish industry trends like loyalty cards, expanding into financial services and internet shopping have been avoided. Instead, a powerful winning formula has been developed. Open large stores and pull in the shoppers with a compelling, low-price food offer. Sell them attractive non-food items, like a branded clothing range, and up goes the gross margin. This can then be reinvested in food, and the process starts again.

Asda's ability to continue delivering superior growth this way should not be doubted. But as Archie Norman, Asda chairman, points out, food retailing success can be a fleeting thing. And the risk to Asda is that when its domestic growth formula matures, it will be left without a long-term strategy. It is not for nothing that Tesco and J Sainsbury have been contemplating distant pastures.

The mooted merger with Safeway might not have addressed this point, but £200m ($330m) annual cost savings are not to be sniffed at. Clearly Safeway needs it more right now. And the relative underperformance of Safeway shares in recent months represents a strong market signal. Moreover, Mr Norman is entitled to point out that Asda is doing quite well enough alone. But if shareholders are to be denied the rich pickings of a merger, at the least they are entitled to a healthy share buy-back. Net debt of £212m, set against a market capitalisation of over £5bn, is hardly an efficient balance sheet.

See additional Lex comment on UK capital gains tax, Page 20

Japan's trade surplus with US shows increase of 28%

By Paul Abrahams and Gillian Tett in Tokyo

Japan's trade surplus with the US, a cause of trade friction between the two countries, showed a year-on-year rise of 28 per cent last month to Y483bn ($3.8bn). Meanwhile, exports to Asia fell by 1.9 per cent as demand was squeezed by the regional economic crisis.

The poor state of the Japanese economy was underlined by an unexpected 4.2 per cent fall in imports last month compared with a year earlier – the first fall for three years.

The Economic Planning Agency said sluggish domestic demand had pushed down growth by about 1.2 per cent this year. It forecast industrial production growth would fall from 2.6 per cent this year to just 1.8 per cent next year.

The slowdown in export growth has forced the government to slash its gross domestic product growth forecast for the current fiscal year from 1.9 per cent to only 0.1 per cent. The government predicts the economy will expand only 1.9 per cent in the year ending March 1999.

Overall export growth was sluggish, rising only 6.4 per cent last month, the first single-digit increase since December 1996. Exports to the US rose 9.4 per cent, and to the European Union 13.9 per cent. But exports to Thailand fell 33.2 per cent and to Malaysia 4.3 per cent.

"The decrease in imports reflects sluggish domestic demand, while slower export growth indicates that Japan can no longer depend on foreign demand to stimulate the economy," warned Mineko Sasaki-Smith, chief economist at Credit Suisse First Boston in Tokyo.

The ruling Liberal Democratic party yesterday formally adopted its third economic package in as many months. It included a one-off Y2,000bn income tax cut and help for small and medium-sized businesses. The package will be submitted to the Japanese parliament in January.

The markets were unimpressed. The Nikkei 225 average fell 2.29 per cent to 16,162 yesterday.

The US monthly trade deficit in goods and services shrank by nearly 13 per cent in October from $11.1bn to $9.7bn, as US exports rose by 2.4 per cent despite lost markets in Asia.

The unexpected jump in exports included large gains in car parts and capital equipment. Imports, which rose by 0.4 per cent, included a $400m increase for oil.

The growth of exports this year is outpacing import growth. Report, Page 7

US trade deficit, Page 7

El Niño brings drought and drains canal

Continued from Page 1

The limit is likely to apply until July, while further restrictions are not ruled out. About 8 per cent of vessels using the canal last year exceeded the 39ft limit. "Six inches equates to about 1,000 tonnes of cargo. It affects buyers and sellers and there is less freight paid to the shipping line. Everyone is a loser," said Mr Newall.

El Niño – the periodic appearance of warmer water in the eastern Pacific, which affects weather patterns – has caused some of the driest months ever recorded in the canal watershed. Levels in the lakes that supply the canal are well below normal and are expected to drop further until May. Freight carriers could see revenues affected.

Horst Nowak, operations director at German ship owners Egol Oldendorff, said: "There is a lot of competition in the market and rates are already on the low side."

Worst hit will be bulk carriers of Panamax size – the maximum for the canal – which carry grain, soya and fertiliser from the US Gulf to Asia. Grain shipments accounted for 42m tonnes of the 196m tonnes of cargo passing through the canal last year.

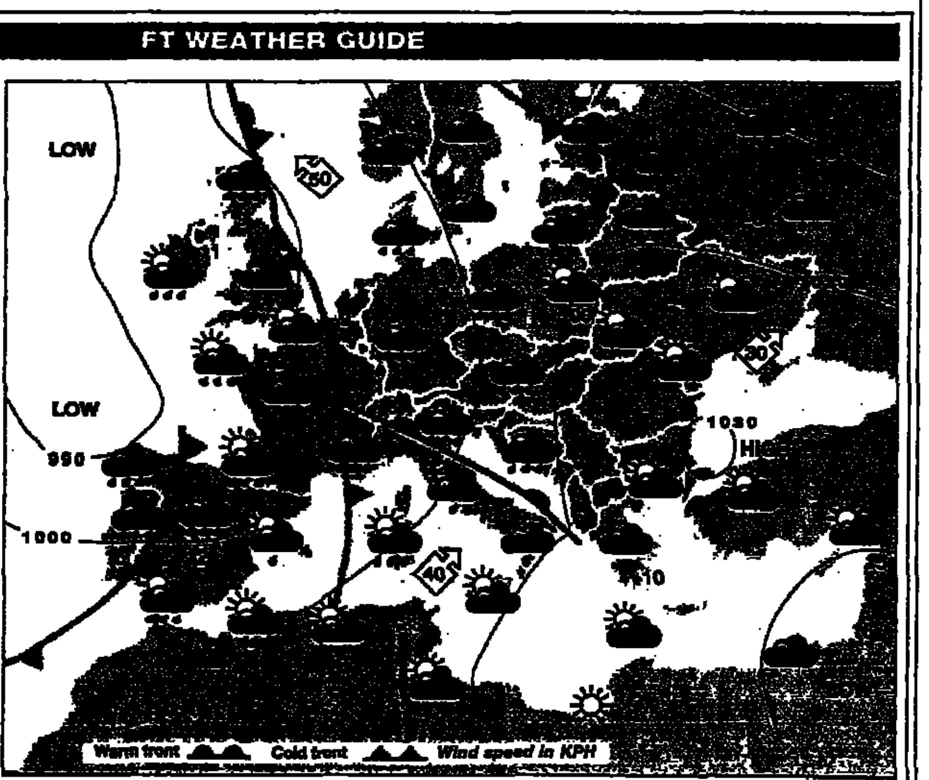
FT WEATHER GUIDE

Europe today

Scandinavia and the Baltic states will have snow, turning to rain later in the south. Eastern Europe will start frosty with fog patches. There will be snow later, which will turn to rain in the evening as it gets milder. Central Europe will be wet with some heavy rain. Rain will spread across Italy towards Greece later. The eastern Mediterranean will become mostly dry and sunny with thunderstorms gradually dying away. Western Europe will become drier and brighter, but a few showers are possible. The Iberian peninsula will have some heavy showers with thunderstorms in the south.

Five-day forecast

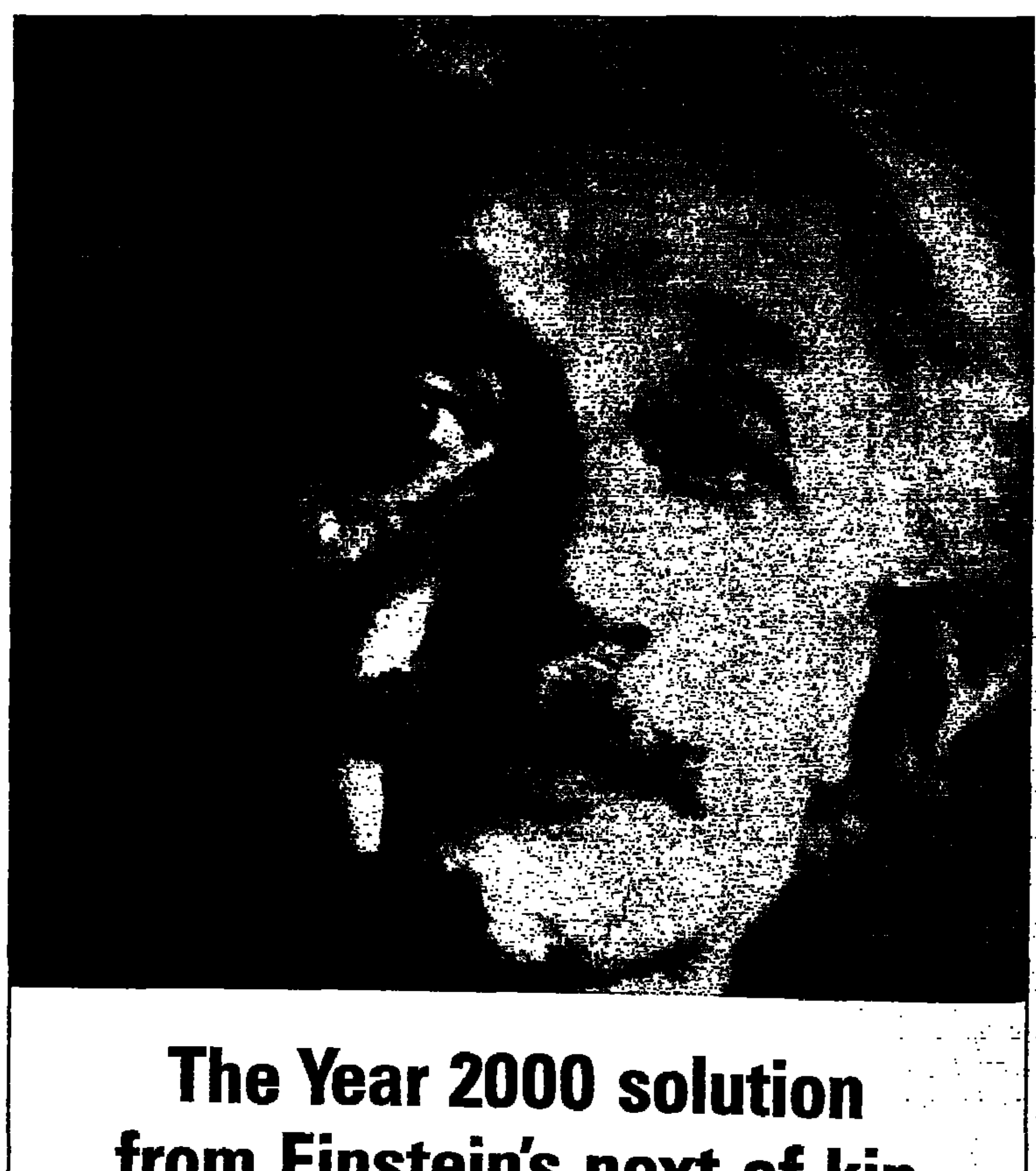
Scandinavia will become colder with sub-zero temperatures but snow will move away. Rain will turn to snow across eastern Europe as the temperature plummets but it will become dry next week. Western Europe will stay mild but there will be further periods of rain. The Mediterranean will see some heavy rain with scattered thunderstorms.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum	Beijing	Sun 4	Cardiff	Fair 10	Frankfurt	Rain 7	Madrid	Rain 12	Rangoon	Sun 33
	Celsius	Belfast	Fair 10	Casablanca	Thunder 20	Geneva	Rain 6	Majorca	Shower 20	Reykjavik	Cloudy 8
Abu Dhabi	Cloudy 25	Belgrade	Fair 6	Chicago	Cloudy 10	Gibraltar	Thunder 18	Malta	Fair 21	Rio	Sun 32
Accra	Sun 31	Berlin	Drzzl 3	Cologne	Shower 10	Glasgow	Cloudy 9	Manchester	Fair 10	Rome	Shower 18
Algiers	Shower 25	Bermuda	Sun 21	Dakar	Sun 27	Hamburg	Rain 4	Manila	Sun 30	S. Frsco	Fair 16
Amsterdam	Cloudy 10	Bogota	Thunder 20	Dallas	Shower 22	Helsinki	Snow -2	Melbourne	Fair 23	Seoul	Fair 8
Athens	Fair 10	Bombay	Fair 30	Delhi	Sun 20	Hong Kong	Shower 23	Mexico City	Fair 21	Singapore	Thunder 30
Atlanta	Sun 20	Brussels	Cloudy 10	Dubai	Cloudy 25	Honolulu	Sun 27	Miami	Fair 27	Stockholm	Cloudy 1
B. Aires	Thunder 30	Budapest	Shower 1	Dublin	Shower 11	Istanbul	Fair 7	Milan	Rain 8	Strasbourg	Shower 8
B.ham	Shower 10	C.hagen	Rain 2	Dubrovnik	Rain 13	Jakarta	Thunder 32	Montreal	Fair 1	Sydney	Thunder 28
Bangkok	Sun 35	Cairo	Cloudy 18	Edinburgh	Drzzl 9	Jersey	Shower 12	Moscow	Snow -4	Tangier	Thunder 18
Barcelona	Shower 18	Caracas	Fair 31	Faro	Shower 18	Johannesburg	Shower 23	Munich	Cloudy 4	Tel Aviv	Thunder 16
						Karachi	Sun 28	Nairobi	Thunder 25	Tokyo	Sun 13
						Kuwait	Shower 18	Naples	Shower 19	Toronto	Fair 6
						L. Angeles	Sun 20	Nassau	Sun 25	Vancouver	Rain 8
						Las Palmas	Fair 25	New York	Fair 14	Venice	Rain 10
						Lima	Shower 28	Nice	Rain 18	Vienna	Drzzl 2
						Lisbon	Shower 15	Nicosia	Fair 15	Warsaw	Fair 0
						London	Fair 12	Oslo	Snow -1	Washington	Fair 14
						Lux.bourg	Cloudy 8	Paris	Cloudy 10	Wellington	Fair 19
						Lyon	Shower 13	Perth	Fair 28	Winnipeg	Fair -3
						Madeira	Fair 21	Prague	Rain 3	Zurich	Shower 6



هكذا من الاعلى

FINANCIAL TIMES
COMPANIES & MARKETS
Friday December 19 1997
Week 51

INSIDE

ING pulls out of Thai bank deal

Thailand's attempts to attract foreign capital to shore up its banking sector have suffered a blow with the news that ING Bank of the Netherlands has decided against taking a 10 per cent stake in Siam City Bank. Page 19

Grain demand dented by Asian fall-out
The most recent round of Asian turmoil has cast a shadow over grain markets: the wheat futures price hit a five-month low on the Chicago Board of Trade last week and corn futures ailed too. Sentiment was dented by news that Korea had asked the US Department of Agriculture for \$1.6bn in credit guarantees to help purchase corn, wheat, soyabeans and cotton. Page 28

Cendant merger underestimated
In spite of the promise of strong synergies, the tie-up of HFS and CUC, the consumer services groups, sparked little interest when announced in May. However, Cendant, the merged unit, has a market capitalisation of over \$20bn and is the first direct marketing company to own exclusive rights to the brands it promotes. Page 18

Asda hits top spot in UK food sector
Asda was established as the UK's fastest growing food retailer by sales figures that fuelled a 19 per cent rise in interim profits. Page 22

China petrochemicals sector sees tie-up
The remote city of Lanzhou, in the north-west of China, has plans for a huge merger – Lanzhou Refinery is being pushed into linking with Lanzhou Chemical, a petrochemical giant. However, concern is growing over the practicalities of marrying ageing state industries. Page 19

Companies in this issue

Market Statistics http://www.FT.com

CROSSWORD, Page 28

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Zanders Feln	140.0	+	10.0
Creaton Prf	50.0	+	3.5
Brau & Brunen	172.0	+	9.0
Falls			
Metro Prf	54.0	–	6.0
Sixt Prf	70.0	–	5.75
Deutz	12.03	–	0.82
NEW YORK ($)			
Rises			
Bay State Gas	37	+	5⅛
Gen Motors	37⅛	+	6½
Stonebridge	16½	+	2¼
Falls			
Aetna	87⅞	–	11
Am Pad Paper	8¼	–	2¼
Compusa	20⅞	–	4¼
LONDON (Pence)			
Rises			
Abacus Rect	251½	+	41½
BOC	987	+	32
Country Csls	122½	+	31
Falls			
BT	467	–	16
Ferguson Int	94	–	36
Pearson	790	–	34
TORONTO (C$)			
Rises			
Magellan Aero	9.95	+	1.05
Pacalta Res	15.9	+	1.5
Paperboard Ind	5.5	+	0.85
Falls			
Hyal Pharm	0.6	–	1.5
CGI Grp A	22.75	–	2.25
ZCL Comp	2.1	–	0.6

PARIS (FFr)			
Rises			
Metaleurop	81.2	+	7.7
Grand Bazar	159.0	+	16.5
Artois Soc	3528.0	+	328.0
Falls			
IDI	429.8	–	70.2
MB Electron	613.0	–	83.0
Arbel	34.5	–	3.7
TOKYO (Yen)			
Rises			
Denso	2800	+	110
Falls			
Aoyama Trdg	2250	–	330
Dowa Mining	317	–	22
Heiwa Real	400	–	34
KDD	4880	–	370
Toto	944	–	56
HONG KONG (HK$)			
Rises			
Amoy Props	6.75	+	0.10
Cosco Pac	6.90	+	0.25
TVB	20.65	+	0.35
Wheelock	9.25	+	0.40
Falls			
China Res	17.35	–	0.15
First Pacific	3.80	–	0.18
BANGKOK (Baht)			
Rises			
Cogeneration	22.75	+	4.50
Nontheve|	26.00	+	6.00
Thai Carbon	85.00	+	15.00
Falls			
Bangkok Un	3.10	–	1.20
Saha Pathan.	40.50	–	12.50
Thai Ind Gases	10.00	–	3.00

New York & Toronto prices at 12.30.

Wal-Mart enters Europe

World's most powerful retailer buys German hypermarket chain Wertkauf

By Richard Tomkins in New York

Wal-Mart Stores, the world's biggest retailer, yesterday established a beachhead for an attack on the European retail market by announcing an agreement to buy Germany's Wertkauf hypermarket chain for an undisclosed sum.

The deal is likely to send a shockwave through the European retail industry because it represents the entry of the world's most powerful retailer into a market already suffering from competition.

European retailer's difficulties were highlighted yesterday when Germany's Metro group, the world's second-biggest retailer, warned that profits would slide because of a "dramatic deterioration" of Christmas sales in Germany.

Metro also announced that it had finalised a deal to buy the European cash-and-carry operations of Makro, the Dutch retail group, for DM4.8bn (\$2.7bn). But it said it had also tried to buy Wertkauf, only to be outbid by Wal-Mart.

Wertkauf – "Value Buy" in English – is a private company owned by Germany's Mann family. It has 21 hypermarkets selling general merchandise and food in a one-stop shopping format similar to the one developed by Wal-Mart at its Supercenters in the US. It has annual sales of about \$1.4bn.

Bob Martin, chief executive of Wal-Mart's international division, said it had been looking to enter Europe – and specifically Germany, the continent's largest retail market – for some time.

"Wertkauf matched the criteria necessary for the successful introduction of the Wal-Mart concept into the German market," Mr Martin said.

Wal-Mart is regarded as one of the most successful companies in the US, having grown from the opening of the first Wal-Mart store in 1962 to sales of \$105bn last year – nearly three times the sales of the next biggest US retailer, the long-established Sears Roebuck department store group.

As of October 31, Wal-Mart had 1,904 out-of-town discount stores in the US and 436 stores in the Supercenter format, selling groceries as well as general merchandise. It also had a chain of 444 membership warehouses called Sam's Clubs.

Wal-Mart started expanding outside the US only six years ago, but is already the biggest retailer in Mexico, where it has 396 stores, and Canada, where it has 144. It also operates eight stores in Argentina, and through joint venture or franchise agreements, it has a further eight in Brazil, three in China and two in Indonesia.

In the first nine months of this year, Wal-Mart's international division reported operating profits of \$85m compared with operating losses of \$41m the year previously.

Mr Martin made it clear that Wal-Mart saw the Wertkauf deal as just the beginning of the company's in-roads into Europe. While it was premature to discuss any plans for further expansion, he said, Wal-Mart had grown after entering other markets.

Lex, Page 16
Editorial Comment, Page 15
Metro sees shake-out, Page 20

Venezuela sells steel plant to Amazonia consortium

By Raymond Colitt in Caracas

Venezuela yesterday sold the last big publicly owned steel plant in Latin America – to a consortium of Mexican, Argentine, Brazilian and Venezuelan investors.

Consorcio Siderurgia Amazonia, led by Mexico's Hylsamex, paid \$1.2bn for a 70 per cent stake in steel company Sidor, well above the \$665m minimum price set by the Venezuelan authorities. The auction in Caracas was closely contested.

Hylsamex owns a 30 per cent stake of the Amazonia consortium, which also includes Tamsa of Mexico (17.5 per cent), Argentina's Siderar (17.5 per cent) and Techint (5 per cent), Venezuela's Sivensa (20 per cent) and Brazil's Usiminas (10 per cent). Techint will undertake the day-to-day operation of Sidor.

The consortium outbid Ispat, the international steel group, and a consortium led by Brazil's Companhia Siderurgica Nacional. A 20 per cent stake will be offered to Sidor employees, and the remaining 10 per cent will be offered to domestic retail investors.

Alberto Verme, head of Latin American operations at Salomon Smith Barney, which advised the Venezuelan government, said: "The amount was the highest premium paid ever for a strategic asset in Latin America." Salomon valued the company at 10 times its cashflow. Paulo Roca, vice-president of Siderar and president of Tamsa, said: "We will begin working immediately to develop the potential that Sidor has in all of its production lines."

The new owners have agreed to a one-year freeze on sacking workers. They have also said they will invest a minimum of \$374m to modernise the plant and to undertake environmental clean-up and control. The consortium will also assume \$584m of debt that Sidor has with official and international bank creditors.

Deonicio Garza, president of Hylsamex, said the consortium "hopes to substantially increase production levels in coming years". Sidor has a production capacity of 3.6m tonnes a year and, as one of the region's largest steel producers, is considered an attractive export base for both North and South America. Sidor's production accounts for 15 per cent of South America's steel production.

The sale, agreed after two years' negotiations between the government and labour and congressional opposition, could lead to further privatisations, especially in heavy industry. "Today we sold steel, and in the near future we'll sell the aluminium companies," said Alberto Poletto, head of FIV, the government privatisation agency.

CVG's 800,000-tonne aluminium complex, the world's sixth-largest, is due to be sold in the first quarter of next year. Eleven of the world's leading aluminium producers are expected to bid aggressively.

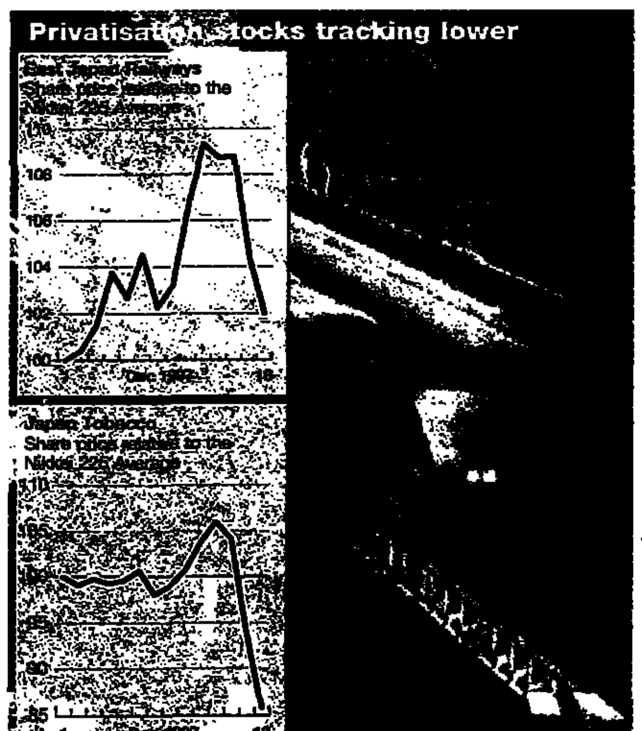
Following the successful opening of the oil industry over the past year, foreign investors are increasingly looking at Venezuela's comparative advantage in metal production.

Two top privatised groups suffer sharp share markdowns in Tokyo

Finance tightening hits Japan Tobacco and JR East

By Bethan Hutton in Tokyo

Privatisation stocks tracking lower



Source: Datastream/ICV

Shares in two of Japan's largest privatised companies fell sharply yesterday as a result of government efforts to improve public finances.

Japan Tobacco, the former monopoly, fell almost 11 per cent on the Tokyo stock exchange after the ruling Liberal Democratic party said on Tuesday it planned to impose an extra tax of Y0.82 per cigarette from October. The shares dropped Y99,000 to Y810,000 (\$6,300) after a smaller fall on Wednesday.

Meanwhile, East Japan Railway (JR East), the largest of Japan's privatised regional railways, saw its shares fall 4.5 per cent after a government panel said it would press ahead with plans to force the privatised railway companies to help shoulder remaining debts of the former national railway. JR East dropped Y27,000 to Y567,000.

The government has suffered from the falls because it owns large stakes in both companies.

When Japan National Railway, the heavily indebted state-owned company, was split up and privatised 10 years ago, Y14,500bn of its liabilities were passed on to the seven new private companies. The remaining Y22,700bn was transferred to the newly created JNR Settlement Corporation, which was meant to pay off the debts by disposing of property and shares in the seven companies.

Instead, the debt has risen to nearly Y28,000bn. According to legislation from the time of privatisation, JNRSC is to be wound up this year, and remaining debts become the responsibility of the state, but the government is desperate to reduce the burden on the public purse.

The planned tobacco tax increase is intended to raise Y260bn next year, most of which will be used to pay down JNRSC's debts. The government has also been pressing the privatised railways to help out.

Because of strong resistance from the JR companies, particularly JR East and the other two listed companies, the government has not insisted they take on another substantial chunk of the JNRSC debt.

It now wants them to make extra contributions to a shortfall in pension funds for former JNR employees. The latest sum mentioned is Y360bn over 20 years from the seven JR companies combined, much smaller than originally feared.

JR East has warned that international investors will not accept a change of rules 10 years after privatisation, and has threatened to sue the government if it carries out its plans.

The government still owns 1.5m shares in JR East - more than a third - which it had been planning to sell to help reduce JNRSC's debts. It also owns two-thirds of Japan Tobacco, further tranches of which are also due to be floated.

The government's apparent willingness to make privatised companies share its fiscal pain could also threaten unrelated future privatisations.

World stocks, Page 38

VNU set to pay \$2.1bn for ITT World Directories

By Gordon Cramb in Amsterdam and Richard Tomkins in New York

VNU, the Dutch publishing group, is to pay \$2.1bn for ITT World Directories, publisher of alphabetical and yellow pages telephone books in markets ranging from the Benelux countries to Japan.

It said last night it would acquire the company debt-free from Starwood Lodging, a US hotel management company and property investment trust. Starwood in October made a \$10.2bn friendly bid for ITT, making clear it would sell non-core assets of the hotel and casino company.

The VNU deal, which is conditional on the sale to Starwood going through, is to be financed mainly through bank borrowings.

It continues a spate of activity in Dutch publishing following the merger agreed in October between Wolters Kluwer and the Anglo-Dutch Reed Elsevier. There had been some expectations that VNU would bid for the UK consumer magazines division put up for sale later that month by Reed Elsevier, but the World Directories deal would appear to make this less likely.

World Directories, with more than 2,300 staff and sales equivalent to nearly Fl11.09bn (\$5.5bn), made operating profits last year of Fl 357m. Its publications in six languages have a circulation of 34m.

VNU said it would expand to other countries and extract further revenue from the 500,000-strong advertiser base through interactive services.

VNU said the deal would "significantly enhance" growth in earnings per share. It predicted a rise of more than 30 per cent in 1998 before goodwill is written off.

Alastair Smellie, media analyst with ABN Amro Hoare Govett in London, said: "This is a big business with some fairly powerful positions in markets in which VNU is involved."

Tax savings from amortising a large amount of goodwill were likely to make the ultimate cost less expensive than the purchase price implied.

VNU expects to complete the deal by February. ITT's and Starwood's shareholders are due to meet on January 26.

Ka Wah shelves plans to buy into Jardine Fleming

By Louise Lucas in Hong Kong

Ka Wah Bank, the Hong Kong financial arm of China's flagship investment vehicle Citic, has shelved plans to buy into a part of Jardine Fleming, the Hong Kong-based investment bank, blaming recent turmoil in the financial markets.

Yesterday the two groups said it was inappropriate to complete the transaction, which would be put on hold until both parties felt it was suitable to resume talks. In the meantime, Jardine Fleming Bank, the unit concerned, is exploring alternative capital-raising opportunities.

Hong Kong's banking sector has been hit by high funding costs in the second half of the year, after speculators launched attacks on the Hong Kong dollar. These were rebuffed, but at a cost of rising interbank interest rates – the rate at which banks borrow from each other.

As increases in prime lending rates did not keep pace, banks' margins were squeezed. However, this is the first Hong Kong banking deal to come unstuck over the turmoil.

The deal, announced in September, was aimed at boosting Jardine Fleming Bank's capital as well as creating a platform for China expansion and a broader alliance between Jardine Fleming and Citic.

China partnerships have become increasingly important in corporate Hong Kong, and Citic already partners Swire Pacific, a British-controlled conglomerate, in a number of ventures.

For Jardine Fleming, which is owned jointly by Robert Fleming of the UK and Jardine Matheson, one of Hong Kong's founding trading conglomerates, the mooted China partnership was seen as particularly important given its historically poor relations with the mainland.

Jardine Matheson fell foul of Beijing over its support for democracy reforms in Hong Kong and has long been cast in a bad light because of its role in Britain's seizure of the colony. Recently, however, relations have been improving and Jardine Fleming is one of the more active foreign players in broking in China.

In March, Lu Ping, former head of the Hong Kong and Macao Affairs Office, said Jardine Matheson must be given equal treatment on the mainland. Jardine Fleming has been winning an increased amount of business, including the underwriting of mainland equity issues.

Analysts reckon the unravelling will also hurt Ka Wah. "Basically Ka Wah is looking at buying people and expertise, and that's quite a difficult thing to come across," said Steven Thompson, chief analyst at Nikko Research Centre in Hong Kong.

Jardine Fleming Bank will focus on boosting its capital base through either internal or external deals. The bank is aiming to double its capital so that it will be able to make bigger loans.

James Bruce, chairman of the bank, said there was still a possibility talks with Ka Wah could be restarted but a deal could no longer be relied on and other solutions had to be explored.

AMERICAS NEWS DIGEST

Aetna shares hit by resignation

Shares of Aetna, the US insurance group, fell nearly 10 per cent after the chief financial officer of Aetna's US Healthcare unit resigned, leading some analysts to believe Aetna is in a worse financial condition than Wall Street had believed. The stock fell $7¼ to $71⅝ in early trading on the New York Stock Exchange.

The move took Wall Street by surprise. SBC Warburg and Donaldson Lufkin & Jenrette downgraded the group, while other firms shaved profit forecasts. The resignation also followed disappointing third-quarter results, analysts said.

In a conference call with analysts, Aetna said some fourth-quarter operating expenses would be about $10m-$15m higher. The higher costs were due to greater expenditure on customer service, on the company's Medicare management and on its information systems, analysts said. Aetna also also expected higher indemnity costs in the fourth quarter, which some analysts said could develop into a negative trend for 1998. *Reuters, New York*

■ FINANCIAL INFORMATION

D&B outlines debt position

Dun & Bradstreet said yesterday its debt at the time it plans to spin off its Reuben H. Donnelley unit as a separate company would stand between $750m and $800m.

D&B, which provides financial and credit information, told analysts that it would be left with $300m-$350m in debt after allocating $450m of it to Donnelley, which markets telephone yellow pages. Strong and predictable cash flow would allow Donnelley to shoulder the extra debt as well as grow and pay a dividend, said Volney Taylor, D&B chairman and chief executive.

Dun & Bradstreet Corp will be left with Moody's Investors Service and Dun & Bradstreet, also called the D&B operating company. The split is expected to take place this summer. Frank Sowinsky, chief financial officer, said Dun & Bradstreet would continue to pay its current annualised dividend of 88 cents a share in 1998.

AP-DJ, New York

■ SEMICONDUCTORS

Asia fears hit SpeedFam

Shares in SpeedFam International, which makes complex equipment for the manufacture of semiconductors, fell as much as 14 per cent yesterday as concerns about Asian economies overshadowed its second-quarter results. The stock was down $1½ at $23¼ in late-morning. Earlier, the shares had touched a low of $21¼.

The company said it earned 49 cents a share in its second quarter, in line with analysts' expectations. However, investors fear that Asia's economic turmoil will affect the entire chip-equipment manufacturing industry proved stronger, and some analysts say the industry may buckle amid overproduction, possibly a year or so from now.

Reuters, New York

■ INVESTMENT BANKING

Hambrecht chairman to retire

Hambrecht & Quist, the investment bank which specialises in technology stocks and has been the subject of takeover speculation, said William Hambrecht, who co-founded the firm with the late George Quist in 1968, would retire as chairman on January 1. Mr Hambrecht will be succeeded as chairman by Daniel Case, who became president and chief executive officer in 1994.

Reuters, San Francisco

■ INSURANCE UNDERWRITING

GE Capital to buy IRI assets

GE Capital Services has agreed to purchase the assets, reinsure the in-force policies and assume the renewal rights of Industrial Risk Insurers, IRI said yesterday.

The statement from the joint underwriting association, or insurance pool, provided no terms for the proposed transaction, and officials were not immediately available for comment. IRI said its loss prevention engineering expertise would be aligned with the financial strength of Employers Reinsurance Corp, a reinsurance company with assets of more than $25bn owned by GE Capital.

Reuters, Hartford

Kodak raises redundancies to 19,900

By Richard Waters in New York

Eastman Kodak, the US photographic products company, yesterday added 6,600 workers to the ranks of those it plans to make redundant, lifting to 19,900 the number of jobs it has said it will cut.

The struggling company also said it would take a $1.5bn charge against profits this year to reflect the cost of trying to reverse its declining fortunes.

Both announcements reflect an intensification of Kodak's efforts to make itself more competitive in the face of its an aggressive attack by its main rival, Fuji, on the US film market this year.

Kodak said last month it expected to cut 10,000 jobs and take a charge of more than $1bn as part of a wide-ranging overhaul of operations, but yesterday lifted those targets to 16,600 jobs and a $1.5bn charge. It had previously announced two waves of job cuts, totalling 3,300, in addition to these moves.

The company also revealed for that the brunt of the new round of job cuts would be felt outside the US, where some 45 per cent of its 100,500 workers are based. About 11,300 jobs will go from its international network, or nearly one in four of the total.

"In the past, perhaps, there's been more of a focus on the US," the company said yesterday of earlier job cuts at the company.

Kodak's international operations account for more than half of its revenues but only about one-third of its operating profits. "Kodak has not been particularly successful at earning an attractive rate of return on [its foreign] assets," said Michael Ellman, an analyst at Schroder Wertheim in New York. He cited an efficiency drive as an obvious way forward.

Kodak's latest round of redundancies amounts to the biggest seen from corporate America this year, and comes as a growing number of US companies are complaining of the effects of a stronger dollar and slowing demand in Asia.

However, such job cuts remain far smaller than those announced in 1993, the peak year for corporate downsizing, when General Motors announced 74,000 cuts and IBM said it would reduce its headcount by 63,000.

Kodak continued yesterday to blame the redundancies on declining competitiveness in the face of a stronger dollar, the slow growth in demand for its newer digital products, and the onslaught by Fuji.

It denied the increase in the number of job cuts was related to last month's preliminary decision by the World Trade Organisation to reject a US trade case that Kodak had said was central to its competitiveness against Fuji.

Burnett teams up with BBH

By Nikki Tait in Chicago

It has been a year of surprises from Leo Burnett, the large, privately-owned advertising agency in Chicago which gave the world the likes of the Pillsbury doughboy.

The latest is the purchase of up to 49 per cent of the shares in London's Bartle Bogle Hegarty, for an undisclosed sum – a deal which marries two very different approaches to the advertising business.

The two agencies are sharply different in size: BBH's billings are projected to be about $350m on an annualised basis by mid-1998. By contrast, Burnett will rack up total billings of about $5.7bn in 1997. BBH, also privately owned, has eight partners and almost 400 employees. Burnett employs about 8,000 worldwide.

But a bigger difference lies in their culture. BBH has a reputation for "hot" creative work, counting among its clients Levi-Strauss, Polaroid, Coca-Cola and Lego. Its cutting-edge campaigns contrast with the more traditional style of the much bigger Chicago agency, which works with about 34 blue-chip clients in the US – including Philip Morris, Coca-Cola, Walt Disney and Kellogg.

BBH says it first approached Burnett about possible collaboration in 1994, and had been searching for "the right partner to help us develop internationally".

The two agencies have yet to decide how to "maximise resources" in different regions. But BBH will establish a media stand-alone operation in Asia-Pacific next year, which will handle strategic planning for BBH clients. Burnett will assume buying duties on a market-by-market basis. A similar arrangement will probably operate in the US. Despite this, BBH will remain an independent force, and neither agency will be represented on the other's board.

For Burnett, the deal caps a year of turmoil. This autumn the agency – founded in 1935 – broke itself into a series of "mini-agencies" to introduce a more entrepreneurial approach and improve "client communication". It was a decision taken in the wake of some high-profile account losses – notably the departure of much of McDonald's business to DDB Needham.

The changes have not stopped there. The agency also laid off a small number of people during the autumn. In early October, it sold majority ownership of its Chicago headquarters – the landmark Leo Burnett building, which encompasses about 1.1m sq ft of office space – to property investors. Although Burnett remained lead tenant, the transaction was designed to help fund development of the new agency structure, Burnett said.

Prior to that there had been speculation that Burnett might go public. But the agency said the increased access to capital would "help us remain private and independent". Flotation is one change Burnett has been reluctant to make.

No decision by Citicorp on AT&T card fee

By William Lewis in New York

The future of AT&T's pledge to its credit card customers not to charge annual fees appeared in doubt after confirmation yesterday that Citicorp, the international bank based in the US, is to buy the US telecom group's card business.

Tom Jones, executive vice-president at Citicorp, said in an interview that Citicorp had "not taken a position" on whether to continue with the no-fee pledge.

AT&T was the first big company in the industry to introduce the no-fee guarantee in 1990 and it was a vital element in building the business.

However, Mr Jones added that he expected AT&T credit card customers to continue to "enjoy the same sort of benefits they have enjoyed so far".

His comments followed the announcement by Citicorp that it had agreed to pay $3.5bn in cash for Universal Card Services, AT&T's credit card operation, which has about $15bn in receivables and 13.6m customer accounts, making it the 10th largest US card business.

Citicorp and AT&T have also signed a 10-year co-branding and joint marketing agreement, financial details of which were not disclosed.

Mr Jones conceded that the price Citicorp had agreed to pay was, at 3.5 times book value and including a premium of 16 per cent on Universal's receivables, a "big one". But he said that the price range of recent credit card deals had been "enormous" and that the deal was "right in line with our strategy". Analysts had been expecting AT&T to gain about $2bn from the sale after Universal's poor performance in recent years.

"The takeover of Universal reinforces Citicorp's position in the US. It will now have a total of $61bn of receivables and 38.5m card accounts in the US, giving it a 14.7 per cent market share based on receivables.

Damages risk for Andersen Consulting

By Jim Kelly, Accountancy Correspondent

Andersen Consulting faces a theoretical $9bn claim as the price of its ambition to become a completely independent firm with no legal obligations to Arthur Andersen, its sister firm, or their umbrella group Andersen Worldwide.

Senior executives at Arthur Andersen have made it clear they have "rights" under the so-called Florida Accords signed in 1990 and are determined to defend them if Andersen Consulting breaks away.

It is understood that confidential contracts binding the firms in Andersen Worldwide stipulate that any firm wishing to leave – in certain circumstances – should pay "presumptive damages" of 1.5 times net revenues.

Andersen Consulting's last set of revenue figures showed gross fee income of $6.1bn. Normally this would be close to the net figure.

There is also a transfer payment arrangement in the rules, which has resulted in more than a $100m flowing from Arthur Andersen to Andersen Consulting in the last year alone. This could also form the basis of a compensation award.

Andersen Consulting said this week that it had invoked binding arbitration against Arthur Andersen and was seeking its independence following what it alleged to be breach of contract.

"The ugly face of money will come up at some stage," said Vernon Ellis, European managing director of Andersen Consulting. But he described the figure of $9bn as "absurd" and said it was arguable whether the contractual agreement covered Andersen Consulting as a whole.

It is clear that Andersen Consulting will argue that Arthur Andersen's expansion into consultancy services, and its alleged use of the transfer payments to build that capability, should be taken into account by the arbiter, to be appointed by the International Chamber of Trade.

Competitors in the Big Six sector said they expected Andersen Consulting to seek a flotation in order to raise capital.

However, George Shaheen, global head of Andersen Consulting, earlier dismissed suggestions of a flotation. "That is not in our game plan," he said. Andersen Consulting hopes the arbiter will judge that Arthur Andersen and Andersen Worldwide have failed to honour contractual undertakings and that no contractual payment will therefore be necessary.

The impact of the split in the Andersen organisation could take several months to affect the rest of the "Big Six" sector, which is in the throes of two large mergers between four of the firms.

"Have they all been chasing the wrong model?" asked one senior partner at a medium-tier firm. "This may make them think they no longer need to merge to overhaul the Andersen miracle," he added.

However, leaders of the Big Six mergers yesterday indicated they were pushing ahead with their plans.

Raytheon completes $9.5bn buy

By Alexander Nicoll, Defence Correspondent

Raytheon yesterday took its place as the world's third-largest defence and aerospace group when it completed the $9.5bn acquisition of the Hughes defence electronics business from General Motors.

Raytheon, based in Lexington, Massachusetts, announced that its own and the Hughes defence businesses will be grouped in a new unit, Raytheon Systems, with William Swanson as chairman and chief executive. The unit includes the former defence electronics subsidiary of Texas Instruments, bought earlier this year.

On a pro forma basis, Raytheon Systems would account for $14.5bn of the combined group's $20bn turnover in 1997.

A series of acquisitions have left three large US defence and aerospace companies – the others are Boeing and Lockheed Martin, whose purchase of Northrop Grumman is expected to be completed next year.

Mr Swanson said the consolidation may not have finished, especially if the US defence budget is cut further. "The pieces are still moving on the game-board."

He said the focus would be on integrating the businesses and saving costs, but details of where the five Raytheon Systems divisions would be headquartered and how costs would be cut had not yet been decided.

GM is also spinning off the telecommunications and satellite business as Hughes Telecom, and is taking Hughes' Delco Electronics unit into its own Delphi Automotive Systems. The deal was announced in January and was approved by the Justice Department in October and by GM shareholders this month.

The big sell gets even bigger

HFS-CUC, now known as Cendant, has access to 80m customers

How many US companies have a market capitalisation greater than $30bn and are growing at more than 20 per cent a year? Microsoft and perhaps one or two other big technology stocks fit the description. But you could be forgiven for missing Cendant – a $28bn consumer services group created by the merger of HFS and CUC, which received formal regulatory approval yesterday.

Cendant, says its chief executive Henry Silverman, is "a direct marketer's ultimate dream". On the one side is HFS, a franchising juggernaut which owns the rights to brand names such as Ramada and Travelodge hotels, Avis cars and Century 21 property brokerages, used by more than 80m people a year.

On the other is CUC, the telephone-marketing company, with 21 membership programmes under which customers pay an annual fee in return for being offered discount prices on a wide range of products.

Together, they will provide numerous cross-marketing opportunities: selling CUC's travel club memberships to Travelodge guests, for example, or car insurance to anyone who rents from Avis.

The unique aspect of Cendant, according to Mr Silverman, is that it is the first direct marketing company to own exclusive rights to the brands it promotes. That means it is the only one able to sell to HFS's 80m customers and to get access to the vast amount of demographic information it has collected on them.

"The key to direct marketing," says Mr Silverman, "is whether you open the envelope or stay on the phone to hear the pitch.

"Since we own the names, our conversion rates should be three to four times higher than those of rivals."

Henry Silverman (left) Cendant chief executive, and Walter Forbes, chairman: easing scepticism on Wall Street

Early evidence bears him out. According to Walter Forbes, Cendant's chairman, CUC is already selling memberships to HFS customers at twice the rate it achieves on lists of names it buys from banks – and those extra sales are almost pure profit, since the costs of telemarketing are largely fixed.

Despite the promise of such synergies, the combination of HFS and CUC sparked little enthusiasm when it was announced last May.

In part, that was because of the different heritages of the companies and their founders.

Mr Silverman, who started as a corporate financier at Blackstone, the New York merchant bank, likes nothing more than making acquisitions.

HFS, which he set up in 1990, has snatched up one brand after another, armed with his highly rated stock. In the process, HFS shares have risen to nearly 20 times their original value in five years, leaving Mr Silverman with a stake worth some $700m.

Mr Forbes, by contrast, is regarded as a technological visionary rather than a dealmaker. He set up CUC in 1973 because he was convinced that the future of retailing lay in by-passing shops – a concept that the internet is gradually turning into reality.

Investors also drew comparisons with previous attempts at cross-selling, such as ITT's failed attempt to combine Avis and Sheraton, and the ill-fated Allegis alliance of United Airlines with Hilton and Westin hotels. Mr Silverman, however, argues that cross-selling did work, but that those ventures were derailed by other factors, such as the sharp rise in fuel costs and a pilots' strike at United Airlines.

As Cendant's management has worked to explain itself to Wall Street, the early scepticism has started to fade. Mr Silverman and Mr Forbes have tried to hammer home what they see as a combination of above-average growth and below-average risk.

According to Mark Miller, analyst at Merrill Lynch, Cendant should generate annual earnings growth of 25 per cent over the next five years, with more than 40 projects for cross-selling services already identified.

At the same time, the fact that 90 per cent of its revenues are recurring is a comfort at a time when Asia's problems and a slowing domestic economy are worrying investors. Better still, Cendant is almost a "virtual" company. It owns few physical assets and is not burdened by either depreciation or capital spending.

The message is getting through that whatever Cendant might suffer from in future, it will not be a poverty of ambition.

Daniel Bögler

o 19,900

decision by ticorp on &T card fee

lting

Raytheon completes $9.5bn bu

gger

COMPANIES AND FINANCE: ASIA-PACIFIC

ING pulls out of Thai bank deal

By Ted Bardacke in Bangkok

Thailand's attempts to attract foreign capital to shore up its banking sector have suffered a blow with the news that ING Bank of the Netherlands has decided against taking a 10 per cent stake in Siam City Bank.

The move comes despite the signing of a memorandum of understanding in October in which ING agreed to pay at least $30m to become Siam City's largest shareholder

The cancellation of the agreement by ING had been expected after Siam City, a medium-size commercial bank, failed to raise Bt3bn ($63.8m) of capital from existing shareholders, including the Thai government. The injection of money by Thai investors was a condition of the ING purchase.

Last week, Siam City announced it had failed to raise the new capital in part because the market price of its shares was lower than the Bt10 par value at which new shares were to be issued. The Thai government, which through various agencies owns just under 10 per cent of the bank, argued it was legally prevented from investing in a share issue at below par value.

"This causes all kinds of policy problems," said Jan Cherim, country manager for ING Bank in Bangkok, adding that the government might face similar situations in the future when trying to entice foreign investors to the banking sector.

Mr Cherim said ING would now pursue "other possibilities in Thailand to expand our presence" and would consider a new offer from Siam City if it could raise new capital on its own.

The collapse of the deal puts Siam City, which has one of the lowest capital adequacy ratios in the Thai banking sector, in a difficult position. Other potential investors, including Asahi Bank of Japan, may be scared off, while some institutions which were expected to follow ING, such as the Dutch development bank FMO, are now unlikely to invest.

Siam City's rating by Fitch IBCA was downgraded yesterday to E, which means the bank has "very serious problems" and "either requires or is likely to require external support".

Thai banks are required to reach recapitalisation agreements with the central bank by the end of this month. Those agreements are to include a time limit for raising new capital.

If banks are unable to meet this deadline they are likely to be taken over by the Thai government.

Despite recent permission for foreigners to take majority stakes in Thai commercial banks, significant deals have yet to take place.

Bankers say the continued volatility of the Thai currency, further deterioration of banks' loan portfolios and the unwillingness of big Thai shareholders to offer attractive prices are deterring investors.

Other investors may be waiting for the Thai government to take over some banks and clean them up before they make purchases, bankers say.

ASIA-PACIFIC NEWS DIGEST

Japanese food group founders

Toshoku, a medium-sized Tokyo-based food wholesaler, filed for protection from creditors yesterday with debts of Y528.9bn ($4bn), but denied that speculative trading had pushed it over the edge. The company has applied for permission to restructure itself under Japan's corporate rehabilitation law, but the move is regarded as an admission of bankruptcy.

Toshoku said that in spite of attempts to restructure bad debts left over from the economic bubble of the late 1980s, it had been forced to file for protection because of the recent credit-crunch in Japan's banking sector.

Tetsuya Sato, president, said Toshoku had been overwhelmed by repayment demands from banks trying to reduce their loan portfolios, at a time when many of the company's own loans had become non-performing.

Analysts said the company was a well known operator in foreign exchange markets as well as regional food commodity markets. However, Toshoku described speculation that it had accumulated massive foreign exchange trading losses as "groundless".

In addition to the debts of Y528.9bn, Toshoku had debt guarantees of Y110.9bn. Most of the debts came from a subsidiary, Toshoku Finance, which lent to other group companies and invested in property and securities. The size of the debts makes the de facto bankruptcy the fourth largest in Japan since the second world war, according to Teikoku Data Bank, a credit reference agency.

Bethan Hutton, Tokyo

■ MEDIA

Strong advance at Oriental Press

Oriental Press Group, publishers of one of Hong Kong's biggest mass-market daily newspapers, yesterday posted a five-fold increase in net profits, from HK$30.06m to HK$160.31m (US$20.76m), for the six months to September. This year's figures were boosted by a HK$37.83m one-off gain from the sale of land and buildings. The increase also reflects write-offs last year from the discontinuation of the group's English-language newspaper.

Earnings per share for the group at the interim stage rose from 2.1 cents to 11 cents, while the interim dividend is lifted by 2 cents to 5 cents.

Louise Lucas, Hong Kong

■ RETAIL

Yaohan Japan reprieved

Yaohan Japan, the collapsed supermarket chain which has continued trading with the support of Jusco, a larger supermarket operator, was yesterday given permission to restructure itself under the corporate rehabilitation law.

The court ruled that Yaohan's current turnover of Y130m a day showed it was a viable concern. Yaohan filed for protection from creditors in September with debts of Y161.3bn ($1.27bn).

Bethan Hutton

MRCB late in loan repayment

By Sheila McNulty in Singapore

Malaysian Resources Corp highlighted the country's severe liquidity shortage yesterday when it said it was one day late in a payment on a US$250m bridging loan.

The diversified conglomerate said it made the payment yesterday but that it had been due on Wednesday. The company is now in talks with bankers to restructure the loan, which was taken to finance MRCB's purchase of a 27 per cent stake in Rashid Hussain (RHB), the banking and finance group.

Analysts said they expected an increasing number of Malaysian companies to face similar difficulties because of the shortage of liquidity. The situation is particularly grave for those with debt denominated in US dollars, owing to the fall in the ringgit against the dollar.

Observers say the Malaysian authorities are keeping liquidity tight to clamp down on loan growth, which has barely slowed from an annualised 30 per cent.

Total loans are expected to amount to 170 per cent of gross domestic product by the end of this year, making Malaysia the most indebted country in south-east Asia and leaving economists predicting more defaults as the economy slows.

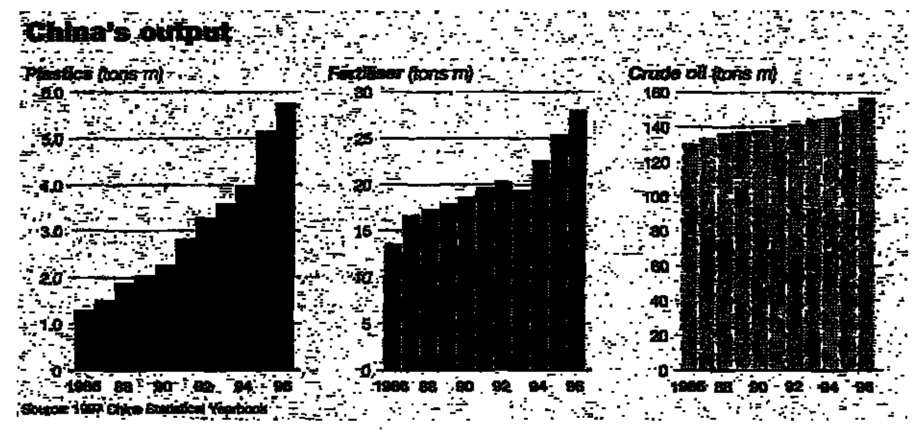
A bidding war has broken out among banks and finance companies for depositors, who have been moving their money from the local institutions they fear may have the most risky loans to Malaysia's more established – as well as foreign – banks.

Some finance companies are so desperate for depositors they have lifted their short-term rates to more than 10 per cent, one economist said. But the high rates have failed to entice, as worries over insolvencies grow. One foreign bank was attracting depositors with rates of just 6 per cent, he added.

Analysts said MRCB could sell its stake in RHB or other holdings to meet debt requirements. The group is also involved in publishing and power.

Chill wind blows in China

Conflicts of business and political logic make mergers a risky step



There are cold feet in Lanzhou this winter. Not just outside, where temperatures are well below freezing in this remote provincial capital in the north-west of China, but also inside the boardroom.

The city that dubs itself the "cradle of China's petrochemicals industry" has plans for a huge merger – Lanzhou Refinery is being propelled into a tie-up with Lanzhou Chemical, a neighbouring petrochemical giant. The proposal is part of a wave of consolidation in the petrochemicals industry, the sector at the forefront of the merger frenzy that has gripped China since Beijing demanded a rapid rationalisation of state enterprises.

But there are signs of second thoughts in Lanzhou – evidence of growing concern in China about politically-driven deals that are running up against the commercial realities of marrying ageing state industries.

Mergers and acquisitions have an obvious logic in the Chinese petrochemicals business. The industry needs to increase scale and streamline production to compete internationally. The financial crisis in Asia has added urgency to the process, as shrinking demand in the rest of the region is likely to encourage more petrochemicals producers to target China, offering their products at lower prices because of devalued currencies.

Qilu Petrochemical, a subsidiary of China National Petrochemical Corporation (Sinopec), announced last month that it had agreed to take over nearly Yn3bn ($362m) in debts of Zibo Chemical Fibre and Zibo Petrochemical. The agreement followed the creation of the Yizheng Group from four petrochemicals companies in eastern China.

Naturally, the Lanzhou companies did not want to be left behind. Plans for a merger between Lanzhou Refinery and Lanzhou Chemical, first aired 10 years ago, were dusted off and municipal government officials indicated that the two companies would be united by the end of the year.

Now, the managements of the two companies say the merger will be delayed. Two other distribution companies have been pulled in to the deal and the merger depends on the results of a "full investigation".

Chen Shoujie, president of Lanzhou Refinery, says: "The merger can improve efficiency if the management makes the best use of resources, capital and workers, but it is possible that profits will fall if we are not careful." His comments reflect a concern at Lanzhou Refinery, a profitable company, that its success is in danger of being diluted by becoming shackled to Lanzhou Chemical.

While Lanzhou Refinery expects to achieve rising profits and tax of Yn900m on sales of Yn7.6bn, Lanzhou Chemical's turnover is basically flat at Yn3.05bn and the company is borrowing to cover operation costs – outstanding loans are Yn2bn.

Zhu Lianbao, general manager of Lanzhou Chemical, explains that the company played by the rules of the planned economy for more than 40 years and has been left flat-footed by the transition to a freer market.

"Market competition is not fair, as we are not starting from the same starting point as our competitors. Lanzhou Chemical is an old company with machinery that is out of date, so we lack the product range and with our huge workforce [33,000, plus 10,000 pensioners] our labour costs are much higher, so we cannot compete on price."

Both Mr Chen and Mr Zhu emphasise the potential benefits of a merger between the two companies, which were both set up in the 1950s in the first flush of industrialisation ushered in by China's freshly installed Communist leadership. Lanzhou Refinery will provide raw materials for Lanzhou Chemical's ethylene and fertiliser production, which in turn will produce by-products for the refinery.

Government officials in Lanzhou, in Gansu province, have taken a keen interest – some say they are the driving force behind the plan. Their enthusiasm reflects not only eagerness to be seen to be marching in time with Beijing's new industrial policy, but also the province's anxiety to secure an important foreign investment deal: Phillips Petroleum, of the US, is in advanced negotiations on a $2bn deal to build an ethylene cracker in a venture with Lanzhou Chemical.

"One of the advantages of the deal is that it should solidify the prospect of the Phillips merger," says Mr Chen at Lanzhou Refinery. The Phillips-Lanzhou project is envisaged as a 50-50 joint venture, requiring at least a Yn2bn capital commitment from the Chinese partner.

But there are concerns about how the merged company will manage a workforce of more than 60,000. "There are going to be workers and staff who will have to be laid off," says Mr Zhu, who has applied to reduce the retirement age from 60 to 55 at Lanzhou Chemical.

The final decision on the merger is likely to come from the government. As Mr Chen explains the M&A business in China: "There are economic needs and there are political forces."

James Harding

Metro sees European retail shake-out

By Graham Bowley in Cologne

Metro of Germany, Europe's biggest retailer, yesterday warned that a "comprehensive shake-out" was imminent in Europe's retail industry as it unveiled a 25 per cent drop in profits.

The company, which yesterday completed its DM4.8bn ($2.71bn) takeover of the European cash and carry business of Dutch group Makro, said there would be a sharp consolidation of European retailing and indicated it was seeking further acquisitions.

Metro shares fell more than 8 per cent to DM70.45 after the group reported all sectors of its retail trade had suffered a "dramatic deterioration" in November and December. The disappointing results highlight the fragile economic recovery in Germany, where unemployment is at record levels.

Klaus Wiegandt, chairman, said: "We are living in a time of dramatic change which . . . will separate the wheat from the chaff. Profitable and capital-strong companies will seize opportunities, especially through acquisitions."

His comments came as Wal-Mart, the US retailer, announced its entry into the European market through the purchase of Wertkauf, a chain of 21 German supermarkets. Mr Wiegandt acknowledged that Metro had tried to buy Wertkauf but had been outbid by the world's biggest retailer.

Makro was formed last year through the merger of the cash-and-carry, department store and supermarket interests of the Metro, Kaufhof and Asko groups. The takeover of Makro's business reflects the group's desire to reduce its exposure to the weak German economy.

Metro said the deterioration in conditions in its home market, which it said was a result of insecurity about economic prospects among consumers, meant operating profit in 1997 fell 25 per cent from DM1.07bn last year. Sales rose 4.5 per cent to DM65bn.

The Makro takeover gives Metro 197 cash-and-carry stores in 16 European countries. It strengthens its presence in the UK, Spain, Portugal, Greece, the Netherlands, Belgium, the Czech Republic and Poland.

Metro said it planned to open 35 new stores next year and was considering expansion into Bulgaria, Slovenia, Croatia, Ukraine and Russia.

The takeover involves the purchase by Metro of the majority and minority stakes held by Makro in operations built by the two companies in partnership over the last 30 years.

Metro said it would issue DM1.8bn worth of new shares to finance part of the purchase, while the rest would be paid for through cash and debt. The new shares would be taken up by Makro's majority shareholder, the family-owned SHV Holdings, giving it about 9 per cent of Metro.

Banks back Swedish exchanges merger

By Tim Burt in Stockholm

Three leading members of the Stockholm Bourse yesterday dropped their objections to the proposed merger between the stock exchange and OM Gruppen, the publicly quoted Swedish derivatives exchange, after receiving guarantees of lower fees and increased shareholdings in the enlarged group.

Handelsbanken, Merita-Nordbanken and Förenings-Sparbanken – which blocked a previous merger attempt by OM and the Bourse earlier this year – indicated they would support the deal after Investor, the main investment vehicle of the Wallenberg industrial empire, agreed to reduce its stake in OM.

Investor yesterday said it would issue options over an additional 1.4m shares in OM to the three banks, reducing its stake in the derivatives exchange from 14.6 per cent to 9.6 per cent.

The move represents a renewed effort by Investor to appease members of the exchange. It had already offered to reduce its OM stake from 20.3 per cent in order to overcome concerns regarding the influence of Wallenberg-controlled companies over the enlarged OM Gruppen.

"The fact we are issuing an option stems from our desire to secure the merger," said Claes Dahlbäck, Investor chief executive.

Handelsbanken, one of the chief opponents of the original merger plan, said it had also been offered guarantees that the fee structure would be overhauled once the merger had been completed.

"The guarantee involves a lowering of the fees by next summer," said the bank.

If all three banks exercise the options offered by Investor, they would together control 9.3 per cent of the enlarged OM Gruppen – compared with 4.3 per cent in the initial merger plan. Handelsbanken predicted their joint shareholding would be further increased to 10 per cent next year.

OM, meanwhile, said the deal would clear the way for one of the world's most liquid exchanges for cash and derivatives trading.

Per Larsson, president of OM, added: "We will thereby become the driving and central force in a future North European exchange structure."

Next month, the Swedish stock exchange is expected to announce detailed plans of its proposed merger with its Danish counterpart to create an integrated share dealing market.

It has also explored links with the Norwegian and Finnish exchanges.

In Finland, the stock exchange and derivatives exchange were merged earlier this year. Juhani Erma, chief executive of the Helsinki Exchanges, has told investors in Stockholm he welcomes further co-operation among Nordic bourses.

Claes Dahlbäck: keen to see merger go ahead Ashley Ashwood

Trustor wind-up runs into legal challenge

By Greg McIvor in Stockholm and Jimmy Burns in London

Three former UK Conservative party politicians yesterday mounted a legal challenge against efforts to put Trustor, the Swedish investment company at the centre of a SKr620m ($80m) fraud inquiry, into compulsory liquidation.

Henry Bellingham and Ron Buxton, both former members of parliament, and Major Anthony Gurney, a former parliamentary candidate, said they were shareholders of St Crispin Trading, a company registered in the Virgin Islands, which acquired a controlling stake in Trustor from the UK peer Lord Moyne in October.

The three, who are close business associates, said they "vigorously opposed" a legal bid by Trustor's minority shareholders to force the company into liquidation.

The minority shareholders, who include several large Swedish financial institutions, believe compulsory liquidation of the company would maximise chances of recovering up to SKr485m missing from the company's balance sheet.

This follows a Swedish police inquiry into allegations of financial misappropriation against Lord Moyne, who acquired a 51.8 per cent voting stake in Trustor in June, and several business associates.

The three UK businessmen disclosed their association with St Crispin Trading in a statement to a Stockholm court at a hearing yesterday of the compulsory liquidation application.

A judgement is expected on December 23.

A lawyer for the minority shareholders expressed confidence that the liquidation would be approved.

Mr Bellingham denied that St Crispin had any "direct or indirect" connection to Lord Moyne.

He declined to say how much St Crispin had paid for Lord Moyne's stake, which cost SKr241m in June.

"It is outrageous that the minority shareholders are trying to put Trustor into liquidation. It is a company with a bright future," he said.

Winding up a successful company was "misconceived and irregular".

Mr Bellingham accused Trustor's minority shareholders of acting against the majority's interest. St Crispin viewed Trustor as a long-term investment, he said. St Crispin acquired Lord Moyne's shares on October 30 – the day media allegations of financial impropriety surfaced in Stockholm. However, the stake remains impounded by Swedish bailiffs as security for a damages action against Lord Moyne by Trustor's minority shareholders.

Mr Bellingham said St Crispin had applied to the High Court in London for a declaration that it rightfully owned Lord Moyne's Trustor shares.

Moulinex builds on recovery

By David Owen

Moulinex, the French household appliance group in which George Soros, the international financier, is a leading shareholder, yesterday unveiled improved first-half results, marking a new step in its recovery.

The company, which last year returned to the black after five years of losses, reported net attributable profits of FFr21m ($3.54m) for the six months to September 30, against an interim loss of FFr74m in 1996.

The figures were said by analysts to have reinforced the credibility of Pierre Blayau, chairman, and were enough to trigger a strong advance in the share price in early trading on the Paris stock market.

These gains were trimmed later in the day, however, after it emerged that another leading shareholder, Jean-Charles Naouri, the French financier, intends to reduce his stake in the company.

Mr Naouri's vehicle, Euris, has 6.6 per cent of the shares following a capital restructuring this year.

Turnover edged ahead from FFr3.35bn to FFr3.46bn. With some 33m shares outstanding, net profit per share came to about 64 centimes.

The shares eventually closed up FFr2, or 1.4 per cent, at FFr145.50, against a flat benchmark CAC 40 index.

Air France may boost capital at privatisation

By David Owen in Paris

Air France may take advantage of next year's planned partial privatisation to increase capital, according to a senior executive.

Patrice Durand, vice-president, finance, acknowledged yesterday that a capital increase was "a possibility", as he unveiled fresh evidence of the carrier's financial turnround.

Net consolidated profits for the six months to September 30 tripled to FFr1.76bn ($296m), against a pro forma FFr597m in 1996-97. The result was achieved on turnover ahead 8.3 per cent to FFr31bn.

The figures appear to leave the group well placed to beat a recent forecast by Christian Blanc, its former president, that profits should reach FFr1bn in 1997.

Mr Durand indicated the company wanted to come as close to break-even as possible in the second half, and described the first six months as "encouraging".

The first-half improvement was attributed in part to improved load factors for both passenger and freight traffic. Overall costs increased less quickly than turnover, in spite of a 12.7 per cent rise in fuel costs.

Yesterday's results came in a week when the company was dealt a blow by the decision of Alitalia, the Italian national carrier, to choose KLM Royal Dutch Airlines as its European partner, in spite of pressure from the French government.

Mr Durand acknowledged the decision was "not good news", while suggesting the spate of European airline alliances was not yet over.

Some observers believe recent ructions over the French group's privatisation, which culminated in Mr Blanc's departure, may have handicapped its attempts to forge a link with Alitalia by clouding aspects of medium-term strategy. The Italian group's decision will heighten concerns that Air France, under its new president, Jean-Cyril Spinetta, is becoming isolated.

● Two Hungarian banks have bought Alitalia's 30 per cent stake in the Malev, the Hungarian airline, writes Anatol Lieven in Budapest.

APV, the state privatisation agency, said yesterday the sale was agreed for $65m, which also covers a 5 per cent stake owned by Simest, the Italian state investment fund. OTP Bank and MKB are to take half each.

MKB said it would eventually sell the shares in the airline, which is still 64 per cent state-owned. APV hopes to float its stake on the Budapest Stock Exchange in the next two years.

Alitalia's sale of its Malev stake was a condition set by the European Union for allowing the Italian state to give it L2,750bn ($1.5bn) in aid.

Generali set to launch takeover bid for AMB

By Andrew Jack in Paris

Generali, the Italian insurer, is poised to announce a takeover bid today for AMB, the German insurer, as part of a complex deal in which it allows Germany's Allianz to take control of AGF, of France.

AGF and Allianz will indicate their support for the Generali bid, which values AMB at about DM11bn ($6.2bn).

Separately, Generali will pay about FFr5bn ($843m) to acquire GPA and Proxima, two subsidiaries of Athéna, the French insurer controlled by AGF.

The transactions come as part of a compromise reached in the battle for control of AGF, in which Generali agreed to abandon its FFr55bn hostile bid, allowing Allianz to take control.

AGF will buy the Dutch subsidiary of AMB for about FFr4bn, but sell its 33.5 per cent stake in the German parent to Generali.

Allianz, which holds 5 per cent; Dresdner, with 15 per cent; and Munich Re, with 8 per cent, are also expected to support Generali's offer. Generali plans to raise its total stake in AMB to at least 70 per cent through a public offer.

Meanwhile, Jacques Blondeau, chairman of Scor, the French reinsurance group, confirmed yesterday he was willing to raise his group's stake in Coface, the trade credit insurer which is 57 per cent-owned by AGF, from 20 per cent to 40 per cent. The action – coupled with increases by other minority shareholders – would meet the French government's concerns that Coface should not be controlled by a foreign company following the takeover launched on AGF.

Separately yesterday, Worms & Compagnie, the holding group, announced that 97.2 per cent of its shareholders had subscribed to the joint friendly takeover launched by AGF and Someal, of Italy.

Under the terms of the deal, AGF formally acquired Athéna on Wednesday for FFr12bn, and will before the end of the year hand its shares in Worms to Someal.

Worms will pay its shareholders a special dividend of up to FFr3.2bn.

EUROPEAN NEWS DIGEST

Mergers keep Brussels busy

Karel Van Miert, the EU competition commissioner, yesterday reacted cautiously to the planned partnership between Alitalia and KLM, saying it was up to the carriers to decide whether to go further than just a limited alliance. "It remains to be seen if it's an alliance or a merger," Mr Van Miert told a news conference on a number of competition issues.

He also said mergers in the accountancy sector had triggered "real competition concerns". He said his officials had been overwhelmed by the amount of concern generated by the announcement of mergers between KPMG and Ernst & Young, and Price Waterhouse and Coopers & Lybrand. "A lot of people in the industry and in the business feel that this is really problematic," he said. "It is up to us to sort it out."

Mr Van Miert's comments mean that both mergers will almost certainly face a full antitrust inquiry, lasting a further four months. Brussels has the power to block the merger, or to demand concessions in return for clearance.

He also hinted that the merger between Kirch, the German television group and Bertelsmann, the German media group, would be subjected to similar treatment. "It looks as if we will probably have to go to a second phase because there have been so many complaints," he said. Mr Van Miert warned the French government it would have to deliver more credible restructuring plans for Crédit Lyonnais, the state owned bank, which faces a second large bail-out from the French state.

Emma Tucker, Brussels

■ CONSTRUCTION

Skanska faces SKr2.6bn tax bill

Skanska, Scandinavia's largest construction group, was yesterday ordered by Sweden's supreme administrative court to pay a capital gains tax of SKr2.6bn ($335.8m) following the sale earlier this year of its 24 per cent stake in Sandvik, the Swedish engineering group. The company had sought a tax exemption after realising SKr9.1bn on the sale of the Sandvik shares, which had a book value of SKr831m. It argued that Volvo, the Swedish automotive group, had received such exemptions when it sold its stake in the drugs company Pharmacia & Upjohn.

But the court rejected Skanska's action, upholding an earlier decision by the council for advance tax rulings. Skanska, which has already set aside a SKr2.6bn provision for the tax charge, said the ruling would not affect its strategy of disposing of non-core shareholdings. The company is expected to dispose of its remaining 1 per cent stake in Sandvik and a larger 8.7 per cent stake in SKF, the bearings manufacturer, in the next 12 months.

Tim Burt, Stockholm

■ FOOD AND PACKAGING

Danisco ahead 15% in first half

Danisco, the Danish foods and packaging group, lifted first-half net profit 15 per cent to DKr615m ($91m) in the six months to October 31. The year-ago figures have been adjusted to reflect a switch to international accounting standards. Group revenues were DKr9.46bn, up 14 per cent. The increase was attributed to improved results from the sugar, ingredients and flexible packaging divisions. The food and beverages businesses were flat in the reporting period.

Charles Ferro, Copenhagen

■ AIRLINES

Braathens buys rest of Transwede

Braathens SAFE, the Norwegian airline, yesterday stepped up its challenge to Scandinavian Airlines System by taking control of Transwede Airways, the loss-making Swedish carrier. Braathens – which last year bought 50 per cent of Transwede from Fritidsresor, the Swedish tour operator – said it was exercising options over the remaining 50 per cent for an undisclosed sum. Although Transwede has not made a profit for several years, the acquisition will give Braathens a foothold in the Swedish domestic airline market, where Transwede operates routes between Stockholm and outlying cities. Earlier this year, KLM of the Netherlands acquired a 30 per stake in Braathens for Fl 200m ($100m).

Tim Burt

■ TELECOMMUNICATIONS

Swisscom seeks new chief

Swisscom, Switzerland's state-owned telecommunications company, has launched a search for a new chief executive only days before it loses its monopoly of the Swiss market. Felix Rosenberg, 56, a former politician who has run Switzerland's telecoms company since 1989, has turned down the post of chief executive. Mr Rosenberg's position has been in some doubt since late September when the Swiss government brought in Markus Rauh, 59, a corporate turnround specialist, to be chairman. Swisscom is due to be partially privatised in the second half of 1998. Mr Rosenberg will join the supervisory board as a representative of the Swiss confederation, which will remain the majority shareholder after next year's stock market flotation. Tony Reis, 56, a former IBM executive who joined the company as chief operating officer last year, is one potential candidate, and Mr Rauh is another.

William Hall, Zurich

■ AUDIO AND VIDEO

Philips settles with Grundig trust

Philips said yesterday it had settled all its obligations to the family trust which controlled Grundig, the German maker of audio and video equipment. The Dutch electronics group is making a one-off payment of undisclosed size to the Max Grundig Foundation, drawn from the Fl 600m ($801m) it set aside last year to unravel equity and management ties with the company. The foundation had an option to sell Philips its controlling stake in 2004 for DM540m ($304.8m), while Philips had been obliged to pay it an annual DM46m dividend. BWB, a Bavarian consortium, has meanwhile bought that holding, giving it 95 per cent control.

■ Philips is expanding its management board to eight from five through the elevation of the heads of its main product divisions. Those appointed from next May include two Britons, Doug Dunn and John Whybrow; the Chinese Y. C. Lo; as well as Adri Baan and Arthur van der Poel, who are Dutch. Henk Bodt and Willem de Kleuver, two current directors, are to retire.

Gordon Cramb, Amsterdam

Spain pays KIO Pta50bn for control of Ebro

By Tom Burns in Madrid

The Spanish government has paid Pta50bn ($333m) for a controlling stake in Ebro, the biggest domestic sugar producer, from the Kuwait Investment Office. The deal paves the way for Ebro's merger with Azucarera, the second-largest producer, and for the restructuring of Spain's sugar sector.

The acquisition by Alycesa, a state-owned food group, of a 34.8 per cent stake in Ebro is the first step in its eventual sale. The equity will be sold on to savings banks linked with the sugar sector, to Spanish companies and to the public through a share offer on Madrid's Bolsa.

The deal will speed up a planned merger that will create Europe's fifth biggest sugar producer, accounting for 78 per cent of domestic production.

Ebro bought 21 per cent of Azucarera a year ago. However, plans by the two companies to join forces were blocked by the government because of the involvement of a non-Spanish shareholder – Générale Sucrière, of France – with 14.5 per cent of Ebro and 20 per cent of Azucarera. There were also fears that the domestic sugar quota could be lowered by the European Union.

Yesterday's deal gives the government control of the merger and the future shareholder structure of the combined Ebro-Azucarera group.

Alycesa paid Grupo Torras, the Spanish investment arm of the KIO, Pta26bn for 18 per cent of its Ebro stake. It has a call option for the KIO's remaining equity in the company.

Alycesa is likely to sell part of its Ebro equity to savings banks located in the sugar beet areas of central and southern Spain. It is also expected to sell shares to Spanish food groups. A planned share offer will ensure that the 33 per cent of Ebro that is traded on the Bolsa will be maintained after the merger.

Analysts believe the merger, likely to take place early next year, will be on the basis of between 2.7 and three Ebro shares for one Azucarera share.

It will create a group with combined sales of Pta200bn and result in the closure of five of 15 plants.

IS THAT BANK YOU'RE DOING BUSINESS WITH AS SOLID AS YOU THINK?

BANKWATCH®

GLOBAL LEADERS IN BANK RISK ANALYSIS

Thailand. Korea. Indonesia. Venezuela. Japan. Russia. Volatility in banking is a global issue that impacts your business. Are you just reacting to the headlines or anticipating them?

THOMSON BANKWATCH can make the difference. As the world's leading source for timely, objective and accurate bank ratings and research, THOMSON BANKWATCH rates over 1000 financial institutions in more than 85 countries.

What THOMSON BANKWATCH sells is confidence. Confidence that you have a comprehensive understanding of what is happening in banking today, whether in your own backyard, or on the other side of the globe. And confidence that enables you to manage your risk better by helping you anticipate what's likely to happen tomorrow—before events become yet another headline.

Whether you need information on one bank or 1000, put the power of THOMSON BANKWATCH, the world's largest bank rating agency, behind you.

THOMSON
FINANCIAL SERVICES
BETTER INFORMATION. BETTER RESULTS.
www.tfn.com

THOMSON BANKWATCH, INC.
www.bankwatch.com

Call one of our sales offices today.

Americas	Europe/Middle East/Africa	Asia-Pacific
+1.212.845.0309	+44.171.369.7870	+603.264.4008
+1.212.845.0502 fax	+44.171.247.8019 fax	+603.263.2009 fax
usdin@tfn.com	harkemaj@tfseur.co.uk	hull@tfn.com

THOMSON BANKWATCH is a Thomson Financial Services Company. BANKWATCH is a registered trademark used herein under license by THOMSON BANKWATCH, INC.

Biocompatibles and Shield Diagnostics had been expected to announce deals before Christmas

Setback for biotechnology duo's shares

By Roger Taylor

A miserable year for investors in biotechnology stocks looks set to end with a whimper of despair. Biocompatibles International and Shield Diagnostics – two of the industry's brightest hopes – saw their share prices fall sharply yesterday when expected good news failed to materialise.

The two make little or no profit but they have rocketed in value on potentially world-beating inventions. Both were also expected to announce deals with large pharmaceutical groups before Christmas.

Yesterday Shield Diagnostics, which has developed a new test for heart disease, issued a statement saying that it would not conclude a deal until January.

David Evans, managing director, explained that the contracts were agreed informally and that the hold-up was because of a senior executive going on holiday. But this did not prevent investors knocking 9 per cent off the company's shares, which dropped 67½p to 705p.

Biocompatibles, which has developed a coating to make medical implants more tolerable to the body, issued no statement yesterday. But the shares fell 12 per cent or 65p to 490p as investors realised the chances of an agreement before the new year were now virtually nil.

The falls are the latest to hit the biotechnology sector which has seen share prices slide for most of 1997 driven by an unremitting stream of bad news.

Leading companies such as Celltech and Scotia, which failed to get products to the market earlier this year, have seen their share prices halve.

British Biotech, the industry leader, closed down 2p at 103p yesterday, close to its low for the year and well below the 270p level reached in May.

Even PPL Therapeutics, which amazed the world in February by introducing Dolly, the cloned sheep, has failed to prevent its shares hitting a low of 235p this week, less than half their level earlier in the year.

Biocompatibles and Shield Diagnostics have epitomised the volatility of an industry where share prices are driven almost entirely by hopes of large profits several years from now.

Shield's shares rose from less than 200p at the start of the year to more than 800p in March, before fluctuating between 400p and 800p as sentiment shifted. Biocompatibles shares dropped from their high of £14 to less than 400p in September after the company failed to clinch a deal with Johnson & Johnson, the US medical group, to market its coated stents – metal mesh tubes used to hold open damaged blood vessels.

Merrill Lynch, Biocompatibles' broker, which had set a share price target of £21 for the end of this year, is now looking for £15 by the end of 1998.

LEX COMMENT

CGT

When it comes to tax, it is a relief when common sense prevails over political dogma. In backing away from variable rates of capital gains tax, the British government seems to have accepted that it would be unenforceable. Tax avoidance experts would devise ways to present short-term gains as long-term ones, shifting taxpayers from a high rate to a low one. If the government has also dropped its hang-up about short-termism in the stock market and accepted the importance of liquidity, that would be particularly welcome. CGT changes were, in any case, never going to have much effect on big investors' behaviour because pension funds are exempt.

So why tinker at all? Labour wants to smile on entrepreneurs – job creators and long-term investors – via a CGT break. In fleshing out this policy, the qualification should be size of stake, not founder status. Investors brought in as businesses grow, particularly those with vital management expertise, should not be penalised.

But this move will only add to the reliefs making CGT expensive to collect for a piffling result: £1.1bn last year. One argument says it would be better to sweep away reliefs and introduce a lower rate, say 20 per cent. Such welcome simplification might even increase the tax take. The difficulty lies in preventing taxpayers from converting highly taxed income into capital gains. If the government really wants to sort out the taxation of wealth, it will require much more than a bit of entrepreneurial tinkering.

Asda promoted to fastest growing food retailer

By Peggy Hollinger

Asda yesterday established its position as the UK's fastest growing food retailer with better than expected sales figures fuelling a 19 per cent jump in interim profits.

The group also sought to quash speculation over an imminent bid for Safeway. Discussions on a merger broke down when news of the proposals were leaked in September. Archie Norman, the Conservative MP who is part-time chairman, said the two companies had had no contact.

Reporting a 9 per cent jump in overall sales excluding new space, or 8.5 per cent in the core grocery business, Mr Norman insisted Asda did not need a merger. However, he admitted the group faced a tough challenge in sustaining the pace of growth. "Growing like this depends on creating rapid change and driving the business forward, and you cannot count on it."

Asda's sales improvement is the highest reported so far in this round of supermarket results. Trading statements show comparable sales up 6 per cent at Tesco, 4.2 per cent at J Sainsbury and 3 per cent at Safeway.

Many brokers increased full-year profit forecasts by £10m-£15m, to about £400m ($660m) and Asda's shares rose in a falling market to close 8p higher at 178p.

However, the company's results also highlighted that the cost of doing business in the food sector was "growing dramatically," said Mike Dennis, food analyst at Société Générale Strauss Turnbull. Retailers were being forced by the competitive environment to invest more in customer service, systems and price.

Gross margins were static and operating margins fell from 4.86 to 4.83 per cent.

Asda's pre-tax profit of £190m for the 28 weeks to November 15 compared with £232.4m, or £160.1m excluding exceptional gains.

Lex, back page

Bob Collier

Archie Norman (left) and Allan Leighton, chief executive, with a giant pizza

MEPC chief quits following business revamp

By Norma Cohen

Michael Blakenham, non-executive chairman of MEPC, the UK's third largest property company, yesterday announced his intention to resign in the coming year.

MEPC, until recently, had underperformed the UK property sector and its shareholders have been demanding that it improve returns. Some of its largest shareholders backed Hammerson, its rival, when it approached MEPC about a merger earlier this year that would have seen off MEPC's management.

But in recent months, it has appointed a new finance director and director of corporate development. It has also restructured borrowings, sold the underperforming small properties portfolio, announced plans to sell its US and Australian businesses and cut the current year's dividend.

In recent weeks, the shares have risen strongly as investors digested improved earnings for the latest fiscal year. They closed 3p higher yesterday at 528½p while the rest of the property sector eased slightly.

According to the annual report for the year to September 30 1996, Lord Blakenham received £95,000 at MEPC as non-executive chairman, up from £90,000 the year before. The company said the decision to leave had been entirely Lord Blakenham's own.

In the annual report, posted yesterday to shareholders, Lord Blakenham said: "I have now been chairman of MEPC for four and a half years and the time is coming for a new chairman to lead the company into the next phase of its development. I look forward to reporting further to shareholders when progress on this front has been made.

"In strategic and management terms, the company is in much stronger shape, and if the current good prospects for the property sector hold, which we believe they will, then 1998 should be a year of further asset growth."

Hambros sale signals break-up

By George Graham

Hambros, the UK merchant banking group, yesterday sold its corporate loan business to Générale de Banque of Belgium, and is expected to announce today the sale of most of its remaining banking operations to Société Générale of France.

The Belgian sale, thought to be for less than £10m, involves a small portfolio of corporate loans and fewer than 40 staff, but the Société Générale deal would basically dissolve what was once one of the UK's leading merchant banks.

Hambros has been under pressure from institutional investors for months, and earlier this year appointed Schroders, a rival investment bank, to advise it on ways of improving its performance.

Jane Sutcliffe of Regent Pacific, one of Hambros' most vociferous shareholders, yesterday welcomed the sale of the corporate loan book to Générale de Banque.

"We hope it is the beginning of the long overdue break-up of the group."

The Hambros investment banking business could end up fetching more than the similar investment banking businesses recently sold by Barclays and National Westminster Bank. City analysts said Hambros would do well to achieve a price above net asset value, which is about £220m.

But a simple break-up has been complicated by the group's structure, which involves 52 per cent stakes in two listed subsidiaries, the Hambro Countrywide estate agency and Hambro Insurance Services, a loss adjuster.

If a deal with Société Générale is announced this morning, as expected, it will involve only the corporate finance, treasury and private banking operations.

There will be no bid for Hambros plc, which would require follow-up bids for the minorities in Countrywide and HIS.

It is expected that Hambros would continue to operate after the sale of the investment banking operations with its private equity investment division, its fund management joint venture with Guinness Flight and its stakes in Countrywide and HIS.

Triplex agrees Doncasters bid

By Richard Wolffe

Doncasters, the precision engineering group, yesterday agreed a £194m ($320m) bid for Triplex Lloyd, after several weeks of speculation over the future of the castings company.

The recommended cash offer of 280p a share is more than 50 per cent higher than Triplex's share price three months ago, when rumours first emerged about a possible takeover. Triplex shares rose 10p to 272½p yesterday.

Triplex has been vulnerable to a bid since July, when it abruptly lost Graham Lockyer, its chief executive, following "strategic differences" with the board.

Doncasters, which is listed in the US, said it was prepared to pay a premium to secure an agreed bid and keep key managers. At 280p a share, the bid represents a multiple of almost 15 times analysts' forecasts of £17m pre-tax profits.

Doncasters is funding the deal through a credit facility from Credit Suisse First Boston, but will later refinance with a combination of equity and new debt.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Asda	28 wks to Nov 15	3,919	(3,452)	190	(232.4♥)	4.86	(6.57)	0.91	Apr 2	0.81	-	3.05
Belhaven	6 mths to Sept 28#	19.5	(17)	2.79	(2.32)	9.7	(7.8)	2.1	Jan 19	1.9	-	5.6
Cook (DC)	6 mths to Oct 31	106.5	(100.5)	1.85	(2.22)	2.95	(3.45)	0.84	Jan 26	0.8	-	2.4
Creative Publish'g	6 mths to Sept 30#	72.1	(70.9)	4.85L♠	(0.571♠)	6.69L	(0.15L)	-	-	-	-	-
Crest Packaging	6 mths to Oct 25	30.7	(24.7)	1.82	(2.16)	3.5	(4)	1.375	Mar 13	1.375	-	4.125
Enterprise Φ	Yr to Oct 31	20.1	(20.2)	1.69♠	(2.86)	5.8	(11.1)	2.9	Apr 30	2.9	4.4	4.4
Fine Art Devs	6 mths to Sept 30#	74.4	(78.9)	12.4L♠	(5.17L♠)	14.74L	(4.39L)	3.9	Jan 26	3.7	-	16.5
Hartstone	6 mths to Sept 30§§	68.3	(71.5)	34.5L♠	(2.1L♥)	10.9L	(0.8L)	0.16	Feb 16	0.16	-	0.48
Howie	Yr to Sept 30 ✠	12.4	(-)	0.883	(0.01♥)	-	(-)	-	-	-	-	-
Jones Stroud	6 mths to Sept 30	41.6	(41.1)	3.51♥	(2.85♠)	14.2	(10.7)	5.5	Apr 6	5.25	-	11
Kingston Comms	6 mths to Sept 30	62	(50.4)	6.81♥	(4.1)	-	(-)	-	-	-	-	-
London Merchant	6 mths to Sept 30	19.8□	(17.8□)	69♥	(15.1)	28.29	(4.05)	0.9	Jan 29	0.8	-	4.8
Thomas Potts Φ	6 mths to Sept 30§§	2.36	(1.34)	0.014♠	(0.34)	0.005	(0.13)	0.0533	Feb 19	0.0533	-	0.1599
UDO	Yr to July 31	58.3	(53)	8.15	(6.55)	14.09	(15.32)	7.75‡	Dec 12	7.75	10.5	10.5
Vardy (Reg)	6 mths to Oct 31	409.9	(344.6)	8.42	(8.2)	10.4†	(10.7)	2.8	Apr 30	2.6	-	7.5
Victory Φ	6 mths to Sept 30☆	-	(-)	3.48L	(1.15L)	1.6L†	(91.4L)	-	-	-	-	-
Warner Estate	Yr to Sept 30	40.4	(23.1)	12.3	(10.1)	19.15	(15.92)	8.75	Apr 6	8.2	12.9	12.2

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Aberdeen New Dawn	6 mths to Oct 31	166.37	(253.38)	0.497	(0.808)	1.15	(1.87)	-	-	-	-	1.65
Dartmoor	6 mths to Oct 31	123.16	(104.76)	4.12	(2.7)	8.5†	(5.6)	3.1‡	Jan 30	3	-	12.6
Edinburgh Japan	6 mths to Nov 30 ★	110	(145)	0.26L	(0.421L)	0.76L	(1.29L)	-	-	-	-	nil
JF Utilities	Yr to Dec 31	-	(-)	-	(-)	-	(-)	1.25♦	Jan 15	-	9.5	7.94
M&G High Income	49 wks to Nov 30	13.51	(-)	0.028	(-)	3.02	(-)	0.96	Feb 25	-	-	-
Murray Split	3 mths to Nov 30	289.5	(294.9§)	0.109	(0.141)	1.4	(1.8)	3.05	Apr 3	2.9	-	12
Ptarmigan Intl	6 mths to Nov 30	304.3	(313.4)	0.103	(0.124)	2.1	(2.53)	2	Jan 28	1.9	-	3.9
Taverners	6 mths to Oct 31	101.27	(100.03)	0.066	(0.057)	0.42	(0.36)	-	-	-	-	0.2
Templeton Emerging	6 mths to Oct 31	136.65	(154.8‡‡)	2.83	(2.87)	0.6	(0.63)	-	-	-	-	1.1
Welsh Industrial ★	6 mths to Oct 5	246.8	(255.2)	0.059	(0.04)	4.3	(2.9)	-	-	-	-	4

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. #Comparatives pro forma. §§Comparatives restated. ✠Pro forma; comparatives for nine months. □Gross rental income. ‡Second interim. ΦAim stock. §§Comparatives for 4½ months. ☆Comparatives for five months. ★Comparatives restated. ♦Fifth interim; first interim of 1.25p for current year also announced. §At August 31. ‡‡At April 30.

هكذا من الأصل

RECRUITMENT

Schools should teach pupils the skills needed to advance their careers, says **Richard Donkin**

Important lessons in adding value

It was not so long ago that Cobol computer-progamming specialists were *digging their gardens* in the belief that their knowledge had become as obsolete as the pony express. Today they are commanding the biggest fees of their careers as they help companies deal with the deficiency of digits that caused the year 2000 computer problem.

Few, if any, companies are going to employ such people on a permanent basis. Such employees are, in effect, "just in time" people. The rise of the agency, particularly in the supply of information technology expertise, has helped to feed this *demand for employees to* perform specific tasks.

It is one of the developments noted in a report published by Chatham House *Forum*, a joint planning group of UK government and company members, setting out likely economic scenarios for the industrialised world up to 2015.*

It says unemployment among countries in the Organisation for Economic Co-operation and Development is running at about 30m people which, because of different national reporting procedures, probably equates to 60m people who are economically inactive. The threefold increase in rates of employment that occurred beyond the mid-1970s, says the report, was caused partly because working people won themselves *higher shares of the profits* made by companies. Another reason lay in the transformation of industry and commerce, driven partly by the desire and ability to cut down on wage costs by introducing improved technology. This, in turn, demanded higher skills and reorganised workforces.

The report says these features are likely to intensify, maintaining the existing high levels of unemployment until the capacity of people to add value through their work comes more closely into line with employment costs.

Using the uncompromising logic of the economist, it points out that in a free market people are employable to the the degree to which they add more value than they cost. Those who have a low capacity to add value will only be able to attract low wages.

While this appears to make sense, it does not deal with the under-utilisation of those who can add more value. Many of those who are paid low wages to serve hamburgers in fast-food outlets would be capable of much greater wage earning contributions were there the opportunities for them to demonstrate their talents.

Similarly many manufacturing workers freed from the drudge of repetitive jobs on assembly lines by the introduction of multi-skill and self managed teams are beginning to make increasing contributions to productivity by channelling ideas through suggestion schemes and *team led problem-solving*.

The report's assumption, however, that the path to higher earnings and better job prospects lies in upgrading skills seems reasonable, particularly in the light of figures it publishes that show the return on investment arising to an individual and a nation from education.

A bar graph showing the social returns to the state from investment in education in different parts of the world across different sectors of schooling showed none below 8 per cent and some, in sub-Saharan Africa, as high as 25 per cent. Returns to the individual on personal investment in education were even greater – as high as 41 per cent for primary education in sub-Saharan Africa.

As Oliver Sparrow, director of Chatham House Forum and author of the report, says: "Returns over *8-10 per cent* are usually seen as attractive in normal commercial transactions. Education is, therefore, a spectacularly attractive investment for those who have access to it."

Given that the education system is the anvil on which the future workforce is to be fashioned, how well is it delivering the types of skills *that are going to be needed* beyond 2000? A clue to the answer of this question lies in the report's three classifications of skills.

Firstly, there are what it calls core skills – the three Rs, IT literacy, managing credit cards and other ways of dealing with modern life. Secondly, it lists interpersonal skills – the ability to deal with social and human contact. Lastly, there are specific skills, typically the technical requirements associated with work.

It may be that the biggest input most education systems can have is into those core and interpersonal skills. But are schools delivering the goods? Young people do not think so. In a recent Industrial Society report, almost two-thirds of some 10,000 people, aged between 12 and 25, thought that schools in the UK did not prepare them for working life.

This view is backed up in a paper published last week by Valerie Bayliss, director of the Royal Society of the Arts' Redefining Work Project, which points to some worrying deficiencies in the UK education system.**

The paper, arising out of a discussion among financial institutions looking at responses to changing working patterns, suggests that financial literacy should become an important component of the National Curriculum. Ms Bayliss says children should be taught how *to run bank accounts*, credit cards and how to organise pensions and mortgages.

What about other skills that have become central to many types of employment? Is it not time that schools added touch-typing within their timetables? Some may argue that voice-recognition systems may soon make typing obsolete but such technologies *are still in their* infancy. Investment in touch-typing could make real efficiency gains that could translate immediately to screen based jobs.

Schools might do more to increase the social skills of children, thereby helping to counter the erosion of family stability throughout society. But could teachers cope with such a burden?

Where, also, should young people learn values, when they can no longer always rely on family role models? Mr Sparrow notes that some people take inspiration for how to react to a situation *from television soap operas*. This could have significant moral implications given the subjects that are now tackled by television.

For many of those who are seen as the socially excluded in society, such methods could have a growing impact.

"How a country structures its entertainment media and the tone that it emphasises in respect of interpersonal life skills will make a great deal of difference to the ability of many people to find their way to a more realistic state of self-betterment," says Mr Sparrow.

Subliminal guidance by television may seem unpalatable to some but, as Mr Sparrow points out, it is already happening. A more important question may be: who controls the content?

**Navigating Uncharted Waters, published by Chatham House Forum, 10 St James Square, London, SW1Y 4LE, tel (0044) 171 314 2762, £75.*

***RSA Discussion Paper 4, Financial Services and the Changing World of Work, published by the RSA, 8 John Adam Street, London, tel (0044) 171 930 5115.*

E-mail: richard.donkin@FT.com

BANKING FINANCE & GENERAL APPOINTMENTS

هكذا من الأصل

Director of Finance

c £50,000 + Benefits

Reading

As part of the Post Office Group, the Royal Mail is regarded as one of the world's leading postal systems. The Royal Mail provides an efficient and economical collection, sorting and delivery service within the UK and overseas, as well as insurance and specialist business services. Current turnover is in excess of £5 billion with profits of around £300 million.

An opportunity has arisen for a Finance Director in the South Central Region. Reporting directly to the General Manager, the role will involve strategic development and financial support as the finance function undergoes a major change programme.

Responsibilities will include:
- Providing quality information and professional advice on the management of the division to achieve business targets.
- Influencing and deploying cross-process divisional strategies.
- Leading the development of Finance and Information Systems teams.
- Liaising with senior personnel to influence and shape Royal Mail's financial policies.

The successful candidate will be a qualified accountant and able to demonstrate:
- The ability to initiate and plan for significant improvement in business performance, with a strong commercial focus and a positive orientation to change.
- Proven management experience achieving results through setting clear priorities and standards.
- Excellent interpersonal skills and an ability to work effectively with people in a variety of contexts, leading teams and working as a team member.

Interested candidates should send their CV to Matthew Morris at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN. Please quote reference 388683.

POSITIVE ABOUT DISABLED PEOPLE

Royal Mail

Senior Telecommunications Analyst

Asia Pacific — **£50 - 60,000 + Bonus + Benefits**

A major telecommunications company with revenues in excess of US$7 billion is offering an opportunity for a *Senior Telecommunications Analyst for the Asia* Pacific region based in London.

Duties include:
- manage and lead a small team of business analysts to develop corporate strategies and business plan objectives for Asia Pacific
- provide commercial and financial advice to senior management to support strategic decision making and new investment
- review the effectiveness and performance of current strategy and investment decisions
- analysis and assessment of existing operations performance to identify new opportunities and *areas of improvement*

The candidate must be a chartered accountant with a minimum of five years post qualified experience and several years experience in telecommunications finance relating to the Asia Pacific Region.

Interested applicants who feel they match these requirements should forward a detailed Curriculum Vitae to: **Alan Lynch at Robert Walters Associates, 10 Bedford Street, London, WC2E 9HE.**
Tel: 0171 379 3333. Fax: 0171 915 8714.
E-mail: **alan.lynch@robertwalters.com**

Corporate Finance Manager

Price Waterhouse in London — **£Competitive**

The Corporate Finance Group of Price Waterhouse is a market leader. In 1996 we acted as lead adviser on approximately 130 transactions in the UK with a combined *deal value of over £3.7 billion. We have a strong team of* professionals advising on a variety of transactions including M&A, MBO/MBI, joint ventures and finance raising as well as undertaking public company advisory work.

We need to add to our M&A team via the recruitment of an additional top quality manager. You are likely to be an ACA, will have a minimum of six years' international M&A experience and will be used to operating with clients at Board level. Strong communication skills are required as is a readiness to travel as necessary.

In return, we offer outstanding prospects and a competitive remuneration package which will include membership of our flexible benefits scheme which allows you to express a preference for those benefits which suit you.

Interested candidates should send a comprehensive CV, quoting ref. CM059 to:
Charles Macleod, Price Waterhouse,
32 London Bridge Street, London SE1 9SY.
Fax: 0171 939 3131.
E-mail: Charles_Macleod@europe.notes.pw.com

Price Waterhouse

Price Waterhouse is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

"One of the World's Largest Businesses"

MANAGER CORPORATE ACCOUNTING

c£70,000 + Car + Bonus + Benefits

Our client is a Central London based FTSE 100 Company, clearly recognised as a market leader in its field, marketing products in over 100 countries. Due to an internal promotion, a high calibre individual is now required for this challenging role based at its prestigious Corporate Headquarters.

Assisting the Group Chief Accountant, you will play a pivotal role working with senior financial management across the group. You will be *responsible for a diverse range of duties and high* profile projects including:
- The management of the group's global financial reporting systems
- Development of new systems and reporting procedures for the production of annual and corporate results
- Planning and resourcing of a high profile group accounting team.

You will be a qualified accountant with previous experience of leading and driving change at a senior level with a large accountancy practice and/or sophisticated, international, commercial enterprise. For the successful candidate, there are excellent *prospects to develop your career.*

To be considered for this exceptional appointment, please call Louis Tomazou or Karen Hargreaves on 0171 209 1000 or send/fax your CV (quoting ref FT0145) to FSS Financial, Charlotte House, 14 Windmill Street, London W1P 2DY. Fax: 0171 209 0001, e-mail: it@fss.co.uk

FSS FINANCIAL
AN FSS GROUP COMPANY
Consultants in Financial Recruitment, Search & Selection

Coca-Cola

Outstanding Finance Professionals

London & Dublin — **Comprehensive Package**

The success of The Coca-Cola Company stems from some of the most enterprising marketing activity around, and despite being the number one brand in the world, we're still thirsty for more ways to reach more of our consumers in more places with more of our products. We're now looking for two commercially oriented finance professionals who can provide strong financial direction and support to two areas of our Business.

Senior Financial Analyst (Ref 5221)

Based in Hammersmith and reporting to our North-West Europe Division (NWED) Finance Director, key challenges will include:
- Providing financial support for key strategies within NWED
- Leading value chain analysis, competitor analysis and other projects *across all five countries in the Division*
- Developing skills to be equipped for future bigger roles within Coca-Cola, probably at Country Finance Manager level
- You will have between 3 and 6 years post qualification Financial *Analysis based experience*

Commercial Services Manager (Ref 5222)

Based in Dublin and reporting to the Region Head of Finance, your key challenge will be to provide appropriate commercial finance analysis to support strategic business decisions. This will include:
- Assisting in the preparation of the Annual Business Plan and Forecast
- Developing accurate and timely sales volume reporting and forecasting systems
- Developing systems and processes to evaluate marketing investment programs
- You will have between 1 and 4 years post *qualification Financial Analysis based experience*

For both roles, you will have experience in a blue-chip, probably multi-national environment. Exposure to a branded FMCG organisation or close customer focused culture will be viewed as an additional strength.

Most important of all, you will regard either position as an entry point into the Coca-Cola system, one of the most prestigious and best regarded global organisations. In order to get the most out of us (and us from you), you must have a global attitude to your career and be willing to move internationally. The development of our people is of key strategic importance and we regard your experiences of different cultures and backgrounds to be of immense benefit to understanding our global network and way of "doing business". Therefore any *second language ability and previous international exposure* would be clear advantages.

In return, we can offer you unparalleled career development including the opportunity to progress into general management in the future. Comprehensive executive benefits complete these opportunities. Please apply, enclosing a full CV and remuneration details to our consultant Jonathan Jones at Jones Christopher. Please quote JJ4532 on all correspondence.

Any CVs sent directly to The Coca-Cola Company will be forwarded to Jones Christopher.

JONES • CHRISTOPHER
FINANCIAL RECRUITMENT CONSULTANTS

Jones Christopher, 4th Floor, Linen Hall, 162-168 Regent Street, London W1R 5TB. Tel: 0171 306 3202. Fax: 0171 734 6280.

Finance Professionals/Business Analysts

London, Southend and Leicester

Midland Bank is a wholly-owned subsidiary of HSBC Holdings plc, which with over 5,500 offices in 79 countries and territories is one of the world's largest banking and financial services organisations.

Midland Card Services has a number of challenging opportunities for qualified/part qualified accountants and business analysts. These roles, attracting excellent remuneration packages, are essential for our continued success and expansion.

- **Financial Controller**, Consumer Services, Southend – you will be responsible for business analysis and financial control for our credit card business, managing a team of 18.
- **Business Analysts**, Consumer Services (Southend) and Merchant Services (Leicester) – these roles involve financial/business planning, commercial development and customer information/analysis which contribute to retention/recruitment and profitable growth.
- **Business Analyst**, London – your activities will consist of investment appraisal, cross business projects, financial/business planning and commercial development.
- ***Finance Manager**, London – your duties will include business performance reporting, profit* forecasts, strategic plans and industry studies.

Ideal candidates will range from part qualified accountants to, for the senior finance roles, accountants with five years plus post qualification experience. Other relevant qualifications will be considered. Previous cards industry experience would be a significant advantage.

Excellent analytical/modelling and communication skills, the ability to make effective use of IT, combined with a high degree of self motivation will ensure a successful career in this demanding results oriented organisation.

To apply please write enclosing your CV, current salary details and your preferred role and location, together with a one-page summary explaining how your skills and experience meet our business requirements, to:

Personnel Administration
Midland Bank plc
Griffin House GH109
Pennine Centre
41 Silver Street Head
Sheffield S1 3GG

Midland Bank
Member HSBC *Group*

POSITIVE ABOUT DISABLED PEOPLE
We are an equal opportunities employer

IT Appointments

ABN AMRO BANK NV

Business Analysts / Banking Experts / Management Accounting Specialists

Attractive remuneration packages geared to attract and motivate top calibre individuals.

Positions are available in several areas of ABN AMRO Bank which deal with client information across many of the Bank's lines of business. This truly Universal Bank with a global network has embarked on several leading edge initiatives which require high calibre professionals with a proven track record in business analysis.

We are seeking *Business Analysts to have extensive interaction with users to translate requirements* into working solutions involving leading edge technology.

Ideal candidates will be client - focused and will have familiarity with data modelling and interface specifications. We prefer candidates with skills and experience in one or more of the following areas: client/server, data modelling, general ledger systems, activity based costing, Year 2000, The Euro. *Equities, Derivatives, Fixed Income, knowledge management systems, client management systems* and project management.

Excellent communication skills and experience in project planning are required. Both permanent staff and contractors will be considered. No agencies, please.

Applications will be treated with strict confidentiality. Initial contact will be by mail unless otherwise agreed.

Candidates should forward their applications including full CV and brief description of current employment to:

Beaty Plaza
ABN AMRO Bank NV
4 Broadgate
London EC2M 7LE

INTEGRATED EXPLORATION SYSTEMS (IES)

IES is the leading provider of software and services for seismic sequence stratigraphy and multi-dimensional modeling of petroleum systems and its PetroMod product line is in use at oil companies worldwide. IES is expanding its activities and the following position is open:

Sales Manager, North and Latin America
Base: Houston/USA

Direct and distributor sales of software and services. Requirements: Minimum of 2 years successful selling of geoscience software and the ability to familiarise - together with our experienced support staff - potential customers with complex geoscience software.

IES offers very competitive employment conditions. The home base of the sales/support staff is Houston. Software development headquarters are in Juelich, Germany.

Send resumes by fax to IES at: +49-2461-58616 (Germany)

INTERNATIONAL CAPITAL MARKETS

Bundesbank helps bunds to rally

GOVERNMENT BONDS

By Simon Davies in London and John Labate in New York

Government bond markets performed strongly yesterday, encouraged by overnight weakness in the US and Japanese equity markets and the decision by the Bundesbank, the German central bank, to keep interest rates on hold.

Uncertainty in Asia, with the Korean elections bringing in a new president who had criticised the toughness of the IMF's bail-out conditions, continued to provide fertile conditions for bond markets.

GERMAN BUNDS rallied as expectations of the next interest rate move shifted further out. The Bundesbank did its bit for the market, lowering its forecast for money supply growth, and suggesting that interest rate convergence should be towards the core members, such as Germany.

However, the news was not all good. The market shrugged off the announcement that the government would auction DM30bn of 10-year bonds in January and a further DM10bn of 30-year stock. This was far more than had been anticipated.

"The idea is that they will get as much long-term issuance as possible while yields are at these levels," said David Keeble, government bond strategist at CS First Boston.

Nonetheless, the March contract in London settled 0.33 higher at 104.72, albeit on thin volumes of just under 99,000 contracts.

Heinz Gunasekera, bund specialist at UBS Securities, said the M3 data was very good. "It was also a very upbeat press conference from the Bundesbank this morning," he said. "But most of the good news is in the prices already."

The yield curve flattened, with domestic investors buying longer-dated bunds, and the yield on the benchmark 10-year bond edged further towards its historic low of 5.22 per cent.

"We're probably not going to get another rate hike until May," said Mr Keeble. "When you get a realisation of this in the market, yields could reach record lows."

FRENCH OATs also put on a strong showing, after enthusiastic take-up for a government bond auction. The Treasury sold FFr7.78bn of two-year bonds and FFr9.65bn of four-year. Both offers were more than three-times covered.

In Paris, the March OAT contract settled 0.34 higher at 101.32, while the adjusted benchmark yield in the cash market remained identical to bunds.

ITALIAN BTPs also moved in line with bunds, with the adjusted yield spread remaining at 43 basis points. In London, the March contract settled at 115.75, up 0.38 on the day and 0.07 off its high earlier in the day.

Analysts expect the budget to be cleared through parliament over the next few days, with an interest rate cut to follow soon after. It has been long expected. But as Mr Keeble said: "When we finally get the rate cut that we've been waiting for since July, there could certainly be a relief rally."

UK GILTS had started the day moving in the opposite direction. Longer-dated issues have been continuing to feel the pinch from the more than £5bn of long-term bonds launched by Annington on Monday.

Moreover, the minutes of the last monetary policy committee meeting, published yesterday, showed that the panel was unanimous on the last rate rise and remained concerned that further tightening might be necessary.

However, weakness in the stock market, combined with the strength in other European bond markets, helped the March contract settle up 3/16 at 121 5/32. Only 34,000 contracts were traded.

Joanne Collins, senior market strategist at Nomura, said that in spite of the recent weakening in the market, there had been evidence of hedge fund buying. In the cash market, the yield spread against bunds narrowed by 3 basis points to 111.

"We need to see retail sales and inflation numbers after Christmas to confirm that activity is in fact slowing and that interest rates have peaked," she said.

US TREASURIES rose in early afternoon trading, with the long bond falling back below the 6 per cent level, in spite of the release of a smaller than expected trade deficit for October.

By early afternoon the 30-year Treasury bond, the benchmark for long-term interest rates, had gained 5/16 to 102 7/32, sending the yield down to 5.965 per cent. Shorter-term issues also rose, with the 10-year note climbing ¼ to 102 17/32, yielding 5.778 per cent. The Federal Funds rate was at 5.68 per cent.

The US trade deficit fell in October to $9.7bn as exports jumped 2.4 per cent to $80bn and imports rose a modest 0.4 per cent to $89.7bn. In spite of the bearish tone to these figures, the market rallied.

"The bond market psychology is so eminently bullish now that it's willing to dismiss anything that points to growth in the fourth quarter and old news," said Joseph Liro, chief economist at CIBC Oppenheimer in New York.

"The export numbers, plus the bilateral trade data, indicate that the Asian crisis did not yet impact on trade," wrote Elliott Platt, director of economic research at Donaldson, Lufkin & Jenrette in a morning report on the trade data. Mr Platt said the Asian effect should influence trade figures by the first quarter of next year.

A separate report showed that initial unemployment claims rose 5,000 to 319,000 in the second week of December.

Asian bank ratings lowered

By Edward Luce

Asian banks came in for another bout of credit rating downgrades yesterday, with some Korean banks in effect relegated to junk bond status.

Fitch IBCA downgraded the individual ratings of 10 of Korea's largest commercial banks and warned of a possible further deterioration. Individual ratings evaluate banks' financial strength on the assumption that they are unable to rely on state support.

The agency also warned that the Korean government might not be in a position to honour its pledge to bail out the bank's creditors in the event of default.

"The current depletion of foreign currency reserves and the possibility of the government imposing foreign exchange controls mean that there is potential transfer risk of economic origin," said the agency. It also warned that Korea's leading banks faced heavy unrealised losses on their equity holdings.

Fitch IBCA also downgraded 10 of Thailand's largest commercial banks, citing a "significant deterioration in loan quality" in the third quarter. "In some instances the increase in accrued interest amounted to over 30 per cent of interest recognised as income implying that 30 per cent of 'performing' loans were not paying interest."

Three banks – First Bangkok City Bank, Siam City Bank and Bangkok Metropolitan Bank – were highlighted as having "extremely low capacity to absorb losses".

Interest rates driven up by Japan factor

Interest rates on loans to even the highest rated borrowers have increased in recent months because of the problems being experienced by Japanese banks.

The so-called "Japan premium" – a spread over interbank rates charged to Japanese banks to reflect their credit risk – is being paid by other borrowers, according to some analysts. This is a result of the inclusion of Japanese banks in the panels that determine benchmark lending rates.

"The rates quoted by Japanese banks are substantially higher than they should be and are distorting the index," says one US fund manager. "Japanese reference banks are quoting the rates offered to them, not the rates offered to prime banks."

The London interbank offered rates – Libor – compiled by the British Bankers Association, are meant to reflect the rates at which the most credit-worthy banks can borrow from each other.

The presence of Japanese banks is therefore adding a premium to these rates that the highest rated banks think they should not have to pay.

Because the BBA removes the extremes in every sample, this distortion is eliminated for most currencies. Yesterday's dollar Libor fixing was equal to the average rates quoted by US and European banks. The three Japanese banks in the sample, which posted higher rates, were automatically removed under BBA rules.

The problem mainly concerns Libor rates on the yen, because Japanese banks make up half the sample of contributors to these rates.

At yesterday's 11am fixing in London, yen three-month Libor was 0.74219 per cent. Some analysts, however, believe this figure does not reflect the true state of the market. Switzerland's SBC, for example, was quoting 0.34375 per cent, while Fuji Bank of Japan offered 1.0625 per cent.

"The real question is: 'If these [Japanese] banks are not prime banks, should they be included in the index?'" asks one analyst.

However, Kirit Shah, chief market strategist at Sanwa International, says Japan is still a big factor in international lending. "It is still the biggest creditor nation," he says, "so it is very realistic to keep Japanese banks in the Libor index."

The US fund manager, however, warns that the distortion goes beyond the interbank lending market. He points out that more than $3,000bn of derivative transactions, loans and bonds are indexed on Libor rates. "The size of the problem is enormous," he says.

The BBA acknowledges the distortion but has chosen to retain the existing panels, having consulted market participants. "The presence of Japanese banks in the Libor panel, it argues, reflects their importance in the international money markets.

"The yen benchmark tracks the cash market," it said yesterday. "There is usually a Japanese bank involved in any yen transaction."

Samer Iskandar
Penelope Clayton

Korea offering seen imminent

INTERNATIONAL BONDS

By Edward Luce

Speculation that a Korean bond of between $9bn and $10bn was imminent continued to circulate yesterday, although the situation appeared extremely fluid. "The investment bank that wins the Korea mandate is in pole position to lead-manage all the subsequent Asian sovereign bonds," said an official at a US bank.

Officials in Seoul said the bond would be issued by the ministry of finance rather than through the usual conduits of either the Korea Development Bank or the Export-Import Bank.

Bankers suggested that Korea, which faces mounting short-term debt obligations because many Japanese banks are refusing to roll-over exposure to their Korean counterparts, was contemplating either a one-year bond or possibly a 12-month bridge-loan.

The KDB 10-year dollar benchmark bond was trading at a spread of about 425 basis points over Treasuries in the secondary markets yesterday. "Korea has to resolve this in the next few days because it has to raise the cash," said one banker.

In the primary markets, activity almost ground to a halt although MONEY STORE, a US finance service company, saw enough demand to launch a $150m securitised bond backed by student loans.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
ClassNotes Trust 97-I(a)‡	150	(a1,s)	100.00R	Jun 2001	0.26R	-	Salomon Smith Barney
■ FRENCH FRANCS							
Crédit Local de France‡	1bn	(b)	99.66R	Jan 2008	0.375R	-	Société Générale
Santander International(c)	640	(c1)	100.00R	Jan 2005	0.35R	-	Deutsche Morgan Grenfell

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) ClassNotes Trust 1997-I, Series 1997-2, Tranche A4, Originator: Educaid. Legal maturity: 1/1/04. Weighted average life: 2.21 yrs (7% CPR). a1) 1-mth Libor +17bp; max 18%. b) Tec-10 -75bp. c) Callable on 14/1/02 at par. c1) 5.13% to 14/1/02, then 6.04%. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Dec 18	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	04/00	7.000	103.0526	5.57	-	+0.33	+0.55	-0.62
	10/07	10.000	127.1968	6.21	-	-0.02	+0.24	-1.21
Austria	09/99	7.000	104.2577	4.39	-0.04	-0.11	-0.17	+0.56
	07/07	5.625	101.9802	5.35	-0.04	-0.05	-0.31	-0.58
Belgium	01/00	4.000	99.1500	4.43	-	+0.19	+0.06	+1.15
	03/07	6.250	105.7800	5.44	-	-0.02	-0.27	-0.52
Canada*	09/99	4.750	99.2122	5.23	+0.01	+0.53	+1.08	+0.88
	06/07	7.250	110.7342	5.74	+0.01	+0.01	+0.30	-0.91
Denmark	12/99	6.000	102.6244	4.57	-	-0.10	-0.22	+0.52
	11/07	7.000	109.6228	5.70	-	-0.07	-0.37	-0.95
Finland	01/99	11.000	107.0620	4.05	-0.02	-0.12	-0.24	+0.24
	04/06	7.250	111.7490	5.45	-	-0.04	-0.31	-0.94
France	01/00	4.000	99.4768	4.27	-0.07	-	-0.12	+0.76
	10/04	6.750	110.0277	4.98	-0.07	-0.08	-0.32	-0.26
	10/07	5.500	101.8679	5.25	-0.07	-0.07	-0.33	-0.56
	10/25	6.000	102.9871	5.78	-0.07	-0.08	-0.37	-1.00
Germany	09/99	4.000	99.7551	4.14	-0.05	-0.01	-0.08	+0.68
	11/04	7.500	113.8247	5.10	-0.05	+0.01	-0.22	-0.40
	07/07	6.000	105.3968	5.26	-0.05	-0.06	-0.31	-0.61
	07/27	6.500	109.2885	5.83	-0.05	-0.05	-0.36	-0.95
Ireland	04/99	6.250	101.4492	5.03	-0.04	-0.03	-0.45	-1.06
	08/06	8.000	116.3756	5.56	-0.04	-0.09	-0.50	-1.24
Italy	05/00	6.000	102.2900	4.97	-	-0.04	-0.26	-1.51
	05/02	6.250	103.8700	5.25	-	-0.06	-0.30	-1.65
	07/07	6.750	107.8800	5.67	-	-0.03	-0.36	-1.83
	11/20	7.250	114.7100	6.15	-	-0.04	-0.41	-1.98
Japan	03/00	6.400	112.8311	0.61	-0.06	+0.11	+0.25	-0.09
	12/02	4.800	117.0581	1.26	-0.06	+0.02	+0.02	-0.50
	09/05	3.000	109.3834	1.70	-0.06	+0.02	-0.06	-0.73
	09/17	3.000	107.4252	2.52	-0.06	+0.01	-0.06	-0.73
Netherlands	11/99	7.500	105.6215	4.31	-0.06	+0.03	-0.06	+0.91
	02/07	5.750	103.0088	5.20	-0.08	-0.09	-0.36	-0.57
New Zealand	02/00	6.500	97.4927	7.80	-0.16	+0.50	+0.89	+0.70
	11/06	8.000	104.7654	7.25	-0.18	+0.24	+0.58	-0.21
Norway	01/99	9.000	104.8300	4.42	-0.01	+0.05	-0.04	-0.25
	01/07	6.750	108.6500	5.51	-	+0.01	-0.24	-0.99
Portugal	03/99	8.500	104.3593	4.79	-0.01	+0.02	-0.16	-1.22
	02/07	6.625	106.7375	5.68	-	-0.03	-0.29	-1.32
Spain	07/98	7.400	104.2020	4.53	-0.01	-0.01	-0.14	-1.29
	10/07	7.350	112.4279	5.59	-0.01	-0.02	-0.31	-1.44
Sweden	01/99	11.000	106.0230	5.10	-0.01	+0.01	-	+0.41
	08/07	8.000	114.0460	6.03	-	-0.02	-0.32	-0.80
Switzerland	03/00	5.000	106.4000	2.01	-0.01	+0.37	-0.07	-0.06
	06/07	4.500	109.3000	3.34	-	-0.06	-0.30	-0.56
UK	03/99	6.000	98.7041	6.84	-0.01	-0.04	-0.30	+0.14
	11/04	6.750	101.8742	6.41	-0.02	-0.02	-0.36	-1.08
	12/07	7.250	106.3407	6.30	-0.02	+0.02	-0.36	-1.36
	06/21	8.000	121.1093	6.27	-0.02	+0.05	-0.32	-1.53
US*	10/99	5.625	99.8792	5.63	-0.02	-0.02	-0.04	-0.21
	11/04	7.875	111.7266	5.79	-0.02	-0.04	-0.08	-0.43
	08/07	6.125	102.5141	5.78	-0.02	-0.04	-0.06	-0.88
	08/27	6.375	104.8709	6.02	-0.02	-0.05	-0.09	-0.68
ECU	01/00	4.000	98.6200	4.70	-	+0.14	-	+0.58
	04/07	5.500	100.4200	5.44	-	-	-0.30	-0.73

London closing. *New York closing. Source: Interactive Data/FT Information. Yields: Local market standard Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents

10 YEAR BENCHMARK SPREADS

Dec 18	Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	6.21	+0.96	+0.44
Austria	5.35	+0.10	-0.42
Belgium	5.43	+0.18	-0.34
Canada	5.72	+0.47	-0.05
Denmark	5.65	+0.40	-0.12
Finland	5.45	+0.20	-0.32
France	5.25	-	-0.52
Germany	5.25	-	-0.52
Ireland	5.60	+0.35	-0.17
Italy	5.67	+0.42	-0.10
Japan	1.70	-3.55	-4.07
Netherlands	5.22	-0.03	-0.55
New Zealand	7.25	+2.00	+1.48
Norway	5.51	+0.26	-0.26
Portugal	5.66	+0.41	-0.11
Spain	5.59	-0.34	-0.18
Sweden	6.03	+0.78	+0.26
Switzerland	3.33	-1.92	-2.44
UK	6.30	+1.05	+0.53
US	5.77	+0.52	-
ECU	5.44	+0.19	-0.33

Source: Interactive Data/FT Information. London closing. * New York closing. Annualised yield basis.

EMERGING MARKET BONDS

Dec 18	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
■ EUROPE								
Croatia	02/02	7.000	BBB-	95.1687	8.39	-0.02	+0.14	+2.65
Poland	07/04	7.125	BBB-	99.3057	7.26	-0.02	+0.17	+1.51
Russia	06/07	10.000	BB-	92.1587	11.37	-0.02	-1.41	+5.60
■ LATIN AMERICA								
Argentina	09/27	9.750	n/a	93.5573	10.45	-0.02	-0.81	+4.49
Brazil	05/27	10.125	BB-	91.5605	11.10	-0.02	-0.96	+5.14
Mexico	05/26	11.500	BB	115.4589	9.85	-0.02	-0.40	+3.90
■ ASIA								
China	07/06	7.750	BBB+	104.5696	7.01	-0.02	-0.07	+1.25
Philippines	10/16	8.750	BB+	89.2414	10.03	-0.02	-0.43	+4.17
Thailand	04/07	7.750	A-	91.5125	9.13	-0.02	-0.72	+3.36
■ AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB-	103.1618	7.70	-0.02	-0.20	+2.02
South Africa	10/06	8.375	BB+	102.5750	7.95	-0.02	-0.07	+2.19
Turkey	09/07	10.000	B	100.9457	9.83	-0.02	-0.52	+4.06
■ BRADY BONDS								
Argentina	03/23	5.500	BB	72.1205	8.71	-0.02	-0.47	+2.79
Brazil	04/14	4.500	BB-	76.2826	10.27	-0.02	+2.47	+4.43
Mexico	12/19	6.250	BB	82.1899	7.98	-0.02	-0.59	+2.10
Venezuela	03/20	6.750	B+	85.5241	8.17	-0.02	-0.20	+2.28

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information.

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	101.00	101.32	+0.34	101.34	101.00	86,843	126,926
Jun	100.38	100.72	+0.34	100.38	100.38	15	125
Sep	100.14	100.48	+0.10	100.14	100.14	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
96	3.96	3.97	4.04	-	0.03	0.11
97	2.96	3.02	3.13	-	0.08	0.19
98	1.97	2.13	2.27	0.01	0.18	0.32
99	1.04	1.33	1.51	0.08	0.37	0.55
100	0.33	0.70	0.90	0.37	0.74	0.93

Est. vol. total, Calls 4,670 Puts 9,227 . Previous day's open int., Calls 70,723 Puts 102,483.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	104.32	104.72	+0.33	104.78	104.32	90425	234059
Jun	-	104.14	+0.33	-	-	0	1096

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	CALLS Jun	PUTS Jan	PUTS Feb	PUTS Mar	PUTS Jun
10450	0.28	0.66	0.93	1.13	0.08	0.44	0.71	1.49
10500	0.06	0.41	0.67	0.91	0.34	0.69	0.95	1.77
10550	0.01	0.23	0.47	0.72	0.79	1.01	1.25	2.08

Est. vol. total, Calls 9615 Puts 11193. Previous day's open int., Calls 173904 Puts 196566

■ NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	103.85	104.09	+0.22	104.12	103.85	58,080	187,821
Jul	-	103.59	+0.22	-	-	-	-

■ NOTIONAL GERMAN BOBL FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	103.88	104.07	+0.16	104.10	103.88	4,672	19,671
Jun	-	103.49	+0.16			-	-

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	115.42	115.75	+0.38	115.82	115.41	29097	115412
Jun	-	115.19	+0.38	-	-	0	53

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
11550	1.02	1.30	0.77	1.61
11600	0.74	1.08	0.99	1.89
11650	0.52	0.89	1.27	2.20

Est. vol. total, Calls 964 Puts 1857. Previous day's open int., Calls 33974 Puts 34810

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	105.74	105.99	+0.33	106.03	105.71	39,036	92,101

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	120-17	120-24	+0-07	120-24	120-17	166	13820
Mar	121-05	121-09	+0-08	121-15	121-00	35536	169734

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	CALLS Jun	PUTS Jan	PUTS Feb	PUTS Mar	PUTS Jun
121	0-29	1-03	1-24	0	0-11	0-49	1-06	15-26
122	0-04	0-35	0-57	0	0-50	1-17	1-39	16-26
123	0-01	0-20	0-35	0	1-47	2-02	2-17	17-26

Est. vol. total, Calls 420 Puts 520. Previous day's open int., Calls 54387 Puts 26573

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	100.24	100.54	+0.36	100.54	100.20	261	5,693

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	119-24	120-02	+0-05	120-05	119-24	13,629	70,749
Mar	119-21	119-30	+0-05	120-03	119-19	313,421	652,682
Jun	119-18	119-20	+0-05	119-21	119-19	223	28,333

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	129.75	-	-	129.92	129.75	1451	n/a
Jun	129.39	-	-	129.39	129.38	65	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

US CORPORATE BONDS

Dec 17	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
■ UTILITIES								
Pac Bell	07/02	7.25	AA-	104.0514	6.20	+0.01	-0.04	+0.44
NY Tel	08/25	7.00	A+	98.5382	7.12	+0.03	-0.04	+1.14
CWE	05/08	8.00	BBB	109.0186	6.77	+0.02	-0.04	+0.98
■ FINANCIALS								
GECC	05/07	8.75	AAA	116.6754	6.36	+0.02	-0.06	+0.57
Banc One	08/02	7.25	A+	103.8638	6.26	+0.01	-0.04	+0.50
US West	01/07	7.30	BBB+	103.3654	6.79	-0.02	-0.11	+1.00
■ INDUSTRIALS								
WMX Tech	04/99	6.25	A-	99.7716	6.42	+0.05	+0.10	+0.73
Wal Mart	05/02	6.75	AA	102.2119	6.16	+0.03	-0.04	+0.40
Dayton Hud	06/21	9.70	BBB+	129.6541	7.08	+0.03	-0.10	+1.10
■ AGENCIES								
FHLMC	04/07	7.14	N/A	107.1659	6.11	+0.03	-0.02	+0.32
SLMA	03/00	7.50	N/A	103.3858	5.85	+0.01	+0.01	+0.14
FNMA	02/18	8.95	N/A	128.7410	6.39	+0.03	-0.09	+0.41
FFCB	06/05	8.95	N/A	118.5887	6.10	+0.01	-0.04	+0.31
■ HIGH YIELD								
Stone Cont	02/01	9.88	B	101.1250	0.00	-	-	-
AK Stl	12/01	9.13	BB-	103.5000	0.00	-	-	-
Pacalta	06/04	10.75	B-	97.5000	0.00	-	-	-

New York closing. Standard & Poor's ratings. Yields: semi-annual basis. Source: Interactive Data/FT Information.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8½	One month	-	Two year	5.69
Broker loan rate	7¾	Two month	-	Three year	5.70
Fed.funds	5 11/16	Three month	5.24	Five year	5.76
Fed.funds at intervention	-	Six month	5.41	10-year	5.79
		One year	5.47	30-year	5.96

INTERNATIONAL BONDS

Dec 18	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
■ EURO DM								
EIB	02/07	5.750	AAA	103.1798	5.30	-0.05	-0.34	+0.05
Spain	01/07	5.750	AA	102.3037	5.42	-0.05	-0.31	+0.17
Philip Morris	03/04	5.375	A	99.6907	5.43	-0.05	-0.29	+0.41
Finland FRN	09/02	3.620	AA	100.7311	4.35	-0.06	-0.27	-0.43
■ EURO FFR								
Austria	01/04	5.500	AAA	102.5049	5.01	-0.07	-0.30	+0.03
Abbey Nat	02/04	6.000	AA	104.4722	5.13	-0.07	-0.26	+0.15
Cred Foncier	02/04	9.125	A	118.6803	5.43	-0.07	-0.30	+0.45
3CIF FRN	12/01	3.750	AA-	99.8435	4.49	-0.06	-0.48	-0.16
■ EURO LIRA								
EIB	02/07	7.000	AAA	109.7600	5.80	-	-0.37	-0.07
Abbey Nat	02/02	6.800	AA	105.1000	5.39	-	-0.27	+0.14
Walt Disney	06/00	8.625	A	107.3500	5.37	-0.01	-0.28	+0.40
EIB FRN	03/01	5.625	AAA	100.2539	4.87	-	-0.20	-0.24
■ EURO £								
EIB	12/07	7.625	AAA	107.3712	6.59	-0.02	-0.48	+0.29
Dresdner Bk	12/07	7.750	AA-	104.8067	7.06	-0.02	-0.40	+0.76
British Gas	03/00	7.625	A+	100.4620	7.37	-0.01	-0.19	+0.84
Abbey Nat FRN	02/02	7.830	AA	100.0243	6.52	-0.01	-0.35	-0.01
■ EURO $								
EIB	04/07	7.250	AAA	107.8832	6.11	-0.02	-0.13	+0.34
ABN Amro	08/07	7.125	AA-	104.5165	6.48	-0.02	-0.09	+0.71
Quebec	01/07	7.000	A+	103.6639	6.46	-0.02	-0.08	+0.69
Citicorp FRN	02/04	5.938	A+	99.5235	6.03	-0.02	+0.21	+0.26
■ EURO C$								
Bayer L-Bk	08/04	9.500	AAA	118.1650	6.08	+0.01	+0.41	+0.20
Toronto	05/04	8.500	AA+	112.9512	6.00	+0.01	+0.40	+0.12
Bell Canada	07/99	10.825	A+	107.0594	5.72	+0.01	+0.88	+0.13
Deutsche B FRN	09/02	5.875	AAA	100.9604	5.64	+0.01	+0.22	-0.14
■ EURO YEN								
World Bank	03/02	5.250	AAA	117.3270	1.06	-0.06	+0.02	-0.04
Spain	03/02	5.750	AA	119.0137	1.14	-0.06	+0.05	+0.04
Cred Foncier	08/02	4.750	A	113.9631	1.59	-0.06	+0.06	+0.49
Italy FRN	07/99	0.594	AA	100.3437	0.39	-0.06	+0.24	-0.16

London closing. Standard & Poor's ratings. Yields: Local market standard/Annualised basis. Source: Interactive Data/FT Information

UK BONDS

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Thu Dec 18	Day's change %	Wed Dec 17	Accrued interest	xd adj. ytd		Low coupon yield Dec 18	Dec 17	Yr. ago	Medium coupon yield Dec 18	Dec 17	Yr. ago	High coupon yield Dec 18	Dec 17	Yr. ago
1 Up to 5 years (19)	119.73	0.04	119.68	2.05	10.39	5 yrs	6.46	6.47	7.28	6.56	6.57	7.33	6.60	6.61	7.38
2 5-15 years (21)	158.73	0.15	158.49	2.00	11.88	15 yrs	6.29	6.32	7.76	6.30	6.33	7.75	6.42	6.42	7.68
3 Over 15 years (4)	191.58	0.28	191.05	1.44	14.12	20 yrs	6.29	6.32	7.82	6.29	6.32	7.79	6.41	6.42	7.70
4 Irredeemables (4)	234.63	0.15	234.28	1.91	14.48	Irred.†	6.41	6.42	7.88						
5 All stocks (48)	151.43	0.14	151.23	1.99	11.88										

Index-linked							Inflation 5% Dec 18	Dec 17	Yr. ago	Inflation 10% Dec 18	Dec 17	Yr. ago
6 Up to 5 years (2)	212.59	-0.01	212.60	1.31	6.09	Up to 5 yrs	3.00	2.99	3.17	2.22	2.21	2.45
7 Over 5 years (10)	217.73	-0.08	217.90	1.69	5.76	Over 5 yrs	3.01	3.00	3.55	2.79	2.78	3.33
8 All stocks (12)	216.11	-0.07	216.26	1.64	5.76							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Dec 18	Dec 17	Dec 16	Dec 15	Dec 12	Yr ago	High*	Low*
Govt. Secs. (UK)	101.45	101.33	101.57	101.81	101.74	94.03	101.88	93.31
Fixed Interest	133.58	133.91	134.23	134.46	134.41	116.17	133.54	115.32

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCIES AND MONEY

Market scepticism forces yen down

MARKETS REPORT

By Richard Adams and Angela Wefers

The yen yesterday fell back against the US dollar, losing much of the ground it had gained after hefty official intervention and the announcement of the government's economic stimulus package.

By the close of trading in London, the yen settled at Y128.38 against the dollar, Y1.08 weaker than its previous close on Wednesday, when Japanese intervention drove the rate below Y126.

But later trading in New York cracked through important resistance at around Y128.50 and sent the dollar to 129.50, before falling back.

The pound and the D-Mark also benefited from the yen's weakness and the dollar's quiet early trading. The yen sank to Y72.43, having been Y71.85, while sterling gained Y4 to Y213.2.

Sterling also rebounded to last week's levels against the dollar and the D-Mark, although in very light trading. The pound strengthened by nearly three pfennigs, to close at DM2.944. It had previously closed at DM2.916 in London. Against the dollar, sterling rose by 1.47 cents to end at $1.6607.

The yen and sterling were the most active movers on an otherwise quiet day on foreign exchange markets, as the Christmas slowdown took hold in New York and London.

Tony Norfield, currency strategist at ABN Amro in London, said: "Half of the market is asleep or drunk, and the other half is just concerned about closing out positions for the year end."

■ Pound in New York

Dec 18	—Latest—	– Prev. close –
£ spot	1.6630	1.6510
1 mth	1.6609	1.6487
3 mth	1.6560	1.6440
1 yr	1.6368	1.6249

The South Korean won was static, with the market closed for yesterday's presidential elections. Other east Asian currencies rallied against the dollar. The Thai baht gained Bt1.95 to Bt45.05, and the Malaysian ringgit strengthened from M$3.805 to M$3.779.

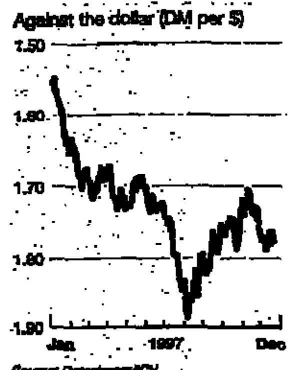
■ Traders took advantage of the light volumes to test the resolve of the Bank of Japan, which on Wednesday had intervened for the first time in five years to strengthen the yen against the dollar.

Analysts said the market remained sceptical about the chances of success of the Japanese financial stimulus programme outlined this week.

Mike Wallace, analyst at S & P's MMS in London, said there was speculation that Japan would intervene in Europe at Y127.8. Selling by US investment funds pushed the dollar up to 128.5 without response. "Obviously, the market remains fairly sceptical about the plan put forward by the LDP," Mr Wallace said.

D-Mark

Against the dollar (DM per $)



Source: Datastream/ICV

Mr Norfield said there was concern that, the financial measures aside, Japan would still feel a long-term impact from the rest of Asia's problems. "There's a need to reassess that fact that the yen has strengthened quite a bit against the other regional currencies, so it is a bit inappropriate to talk about the yen being weak against the US dollar," Mr Norfield said.

■ The Bundesbank yesterday said its two-year target for M3 will be kept at an expansion rate of 5 per cent. While monetary supply growth has slowed down much as expected, the Bundesbank fixed the target corridor for monetary supply in 1998 half a percentage point lower, to between 3 per cent and 6 per cent.

The new monetary target is also "a clear signal that the Bundesbank is determinded to prevent any monetary inflation potential from building up in the run-up to stage three of monetary union", the central bank said.

Last month M3 growth remained virtually unchanged. In November M3 was 4.7 per cent higher than the average of the the fourth quarter 1996. A rise in monetary capital formation and a decline in the bank lending to public authorities slowed the money supply.

Peter Pietsch, economist at Commerzbank in Frankfurt said: "It was not a restrictive but a neutral step in monetary policy, to build up confidence." It should help the euro get off to a strong start, he added.

Martin Hüfner, chief economist at Bayerische Vereinsbank in Munich, said: "This was a pre-emptive strike for 1999." Both economists expect a slight rise in German interest rates in the first quarter of 1998 – primarily to ensure the euro's stability, Mr Hüfner said.

■ OTHER CURRENCIES

Dec 18	£	$
Czech Rp	56.5464 - 56.5469	34.0600 - 34.1000
Hungary	334.149 - 334.433	201.270 - 201.320
Iran	4983.60 - 4980.60	3000.00 - 3000.00
Kuwait	0.5057 - 0.5062	0.3046 - 0.3047
Poland	5.8140 - 5.8242	3.5020 - 3.5060
Russia	9835.02 - 9842.61	5924.00 - 5925.00
U.A.E.	6.0976 - 6.1016	3.6728 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Dec 18		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.7097	+0.1921	970 - 223	20.7463	20.5511	20.6468	3.8	20.5201	3.7	20.0357	3.3	102.6
Belgium	(BFr)	60.7252	+0.5639	654 - 850	60.8570	60.3670	60.5275	3.9	60.144	3.8	58.6711	3.4	102.2
Denmark	(DKr)	11.2152	+0.1017	102 - 202	11.2378	11.1476	11.1809	3.7	11.1154	3.6	10.8704	3.1	104.4
Finland	(FM)	8.8889	+0.0866	831 - 946	8.9020	8.8280	8.8575	4.2	8.7995	4.0	8.5895	3.4	80.9
France	(FFr)	9.8555	+0.0906	500 - 609	9.8640	9.7951	9.8229	4.0	9.7607	3.8	9.5151	3.5	105.6
Germany	(DM)	2.9436	+0.0273	419 - 453	2.9499	2.9244	2.9348	3.8	2.9156	3.8	2.843	3.4	103.3
Greece	(Dr)	463.543	+4.12	262 - 824	464.409	459.282	466.451	-7.5	472.761	-8.0	493.869	-6.5	65.4
Ireland	(I£)	1.1426	+0.0142	413 - 438	1.1438	1.1316	1.1419	0.8	1.1381	1.6	1.1155	2.4	96.3
Italy	(L)	2889.87	+29.12	775 - 198	2894.67	2871.40	2886.76	1.3	2878.91	1.5	2824.85	2.2	75.9
Luxembourg	(LFr)	60.7252	+0.5639	654 - 850	60.8570	60.3670	60.5275	3.9	60.144	3.8	58.6711	3.4	102.1
Netherlands	(Fl)	3.3176	+0.0308	158 - 194	3.3222	3.2968	3.3064	4.1	3.2853	3.9	3.2028	3.5	101.4
Norway	(NKr)	12.0275	+0.121	223 - 327	12.0385	11.9049	11.9874	4.0	11.9148	3.7	11.6593	3.1	98.6
Portugal	(Es)	300.994	+2.92	845 - 142	301.547	299.409	300.371	2.5	299.008	2.6	292.44	2.8	91.8
Spain	(Pta)	249.230	+2.42	113 - 346	249.470	247.190	248.684	2.6	247.529	2.7	242.124	2.9	78.8
Sweden	(SKr)	12.8916	+0.1478	835 - 996	12.8996	12.7660	12.8613	2.8	12.8026	2.8	12.6027	2.2	85.4
Switzerland	(SFr)	2.3853	+0.0216	837 - 868	2.3997	2.3697	2.3732	6.1	2.3502	5.9	2.2559	5.4	108.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	104.1
Ecu	-	1.4897	+0.0131	886 - 907	1.4918	1.4823	1.4858	3.2	1.4781	3.1	1.4468	2.9	-
SDR†	-	1.215663	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6604	+0.0147	599 - 609	1.6611	1.6487	-	-	-	-	-	-	-
Brazil	(R$)	1.8505	+0.0168	498 - 512	1.8512	1.8369	-	-	-	-	-	-	-
Canada	(C$)	2.3653	+0.0251	641 - 664	2.3664	2.3454	2.3595	2.9	2.3491	2.7	2.3148	2.1	82.7
Mexico	(New Peso)	13.4060	+0.0989	978 - 142	13.4142	13.3041	13.5473	-12.6	13.8079	-12.0	14.9535	-11.5	-
USA	($)	1.6607	+0.0147	602 - 612	1.6614	1.6490	1.6586	1.5	1.6537	1.7	1.6347	1.6	107.9
Pacific/Middle East/Africa													
Australia	(A$)	2.5225	+0.0223	208 - 242	2.5242	2.4928	2.5175	2.4	2.5069	2.5	2.4683	2.1	85.2
Hong Kong	(HK$)	12.8688	+0.1139	632 - 743	12.8743	12.7798	12.864	0.4	12.9133	-1.4	13.3212	-3.5	-
India	(Rs)	65.1576	+0.3134	130 - 021	65.2021	64.6150	-	-	-	-	-	-	-
Israel	(Shk)	5.8678	+0.0429	603 - 753	5.8753	5.8603	-	-	-	-	-	-	-
Japan	(Y)	213.209	+3.673	070 - 348	213.348	209.030	211.929	7.2	209.404	7.1	198.779	6.8	119.8
Malaysia	(M$)	6.2767	+0.0136	673 - 860	6.3030	6.2332	6.2621	2.8	6.2616	1.0	6.3827	-1.7	-
New Zealand	(NZ$)	2.8333	+0.0208	312 - 353	2.8353	2.7887	2.8362	-1.2	2.84	-1.0	2.8544	-0.7	102.2
Philippines	(Peso)	65.8469	+0.4182	119 - 819	66.2819	64.7946	66.919	-19.5	68.2854	-14.7	76.5169	-16.2	-
Saudi Arabia	(SR)	6.2288	+0.0555	261 - 315	6.2315	6.1847	6.2214	1.4	6.2053	1.5	6.1433	1.4	-
Singapore	(S$)	2.7724	+0.003	699 - 749	2.7774	2.7448	2.7963	-10.3	2.8152	-6.2	2.832	-2.1	-
South Africa	(R)	8.0694	+0.0698	644 - 743	8.0743	8.0059	8.1329	-9.4	8.2269	-7.8	8.5969	-6.5	-
South Korea	(Won)	2462.82	+21.8	976 - 688	2466.88	2448.77	-	-	-	-	-	-	-
Taiwan	(T$)	53.5119	-0.0655	584 - 654	53.6751	53.1227	53.4618	1.1	53.3383	1.3	52.858	1.2	-
Thailand	(Bt)	74.8146	-2.547	430 - 862	75.0862	70.8840	75.5484	-11.8	76.6053	-9.6	80.3458	-7.4	-

† Rates for Dec 17. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 18		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan index
Europe													
Austria	(Sch)	12.4705	+0.0054	685 - 743	12.4890	12.4610	12.4485	2.1	12.409	2.0	12.2565	1.7	102.4
Belgium	(BFr)	36.5660	+0.016	410 - 910	36.6550	36.5350	36.4935	2.4	36.3705	2.1	35.891	1.8	102.2
Denmark	(DKr)	6.7533	+0.0015	523 - 543	6.7735	6.7486	6.7413	2.1	6.7218	1.9	6.6498	1.5	103.8
Finland	(FM)	5.3525	+0.006	506 - 543	5.3630	5.3486	5.3404	2.7	5.3213	2.3	5.2545	1.8	80.6
France	(FFr)	5.9345	+0.0021	330 - 360	5.9515	5.9280	5.9224	2.4	5.9025	2.2	5.8207	1.9	105.2
Germany	(DM)	1.7725	+0.0007	720 - 730	1.7775	1.7710	1.7692	2.3	1.7631	2.1	1.7391	1.9	103.0
Greece	(Dr)	279.125	+0.01	040 - 210	280.130	278.100	281.235	-9.1	285.89	-9.7	302.115	-8.2	85.2
Ireland	(I£)	1.4536	-0.0052	524 - 546	1.4588	1.4524	1.4526	0.7	1.4529	0.2	1.4655	-0.8	-
Italy	(L)	1740.15	+2.15	940 - 090	1743.70	1738.65	1740.5	-0.2	1740.95	-0.2	1728.05	0.7	75.8
Luxembourg	(LFr)	36.5660	+0.016	410 - 910	36.6550	36.5350	36.4935	2.4	36.3705	2.1	35.891	1.8	102.2
Netherlands	(Fl)	1.9977	+0.0009	972 - 982	2.0032	1.9964	1.9935	2.5	1.9867	2.2	1.9592	1.9	101.4
Norway	(NKr)	7.2425	+0.0089	415 - 434	7.2570	7.2138	7.2276	2.5	7.2052	2.1	7.1325	1.5	98.2
Portugal	(Es)	181.245	+0.155	210 - 280	181.650	181.210	181.101	1.0	180.817	0.9	178.895	1.3	92.2
Spain	(Pta)	150.075	+0.13	050 - 100	150.450	149.720	149.938	1.1	149.686	1.0	148.115	1.3	76.5
Sweden	(SKr)	7.7627	+0.0204	602 - 652	7.7863	7.7292	7.7543	1.3	7.742	1.1	7.7094	0.7	85.5
Switzerland	(SFr)	1.4363	+0.0008	358 - 368	1.4465	1.4346	1.4308	4.6	1.4211	4.2	1.38	3.9	107.9
UK	(£)	1.6607	+0.0147	602 - 612	1.6614	1.6490	1.6586	1.5	1.6537	1.7	1.6347	1.6	103.0
Ecu	-	1.1149	+0.0001	144 - 153	1.1153	1.1113	1.1164	-1.7	1.119	-1.5	1.13	-1.4	-
SDR†	-	0.73467	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-	998 - 998	0.9998	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.1143	+0.0003	142 - 144	1.1144	1.1137	-	-	-	-	-	-	-
Canada	(C$)	1.4243	+0.0026	240 - 245	1.4250	1.4208	1.4226	1.4	1.4205	1.1	1.416	0.6	82.8
Mexico	(New Peso)	8.0725	-0.012	700 - 750	8.0750	8.0700	8.168	-14.2	8.35	-13.8	9.1475	-13.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	108.4
Pacific/Middle East/Africa													
Australia	(A$)	1.5189	-	184 - 195	1.5195	1.5182	1.5181	0.6	1.5155	0.9	1.5048	0.9	85.9
Hong Kong	(HK$)	7.7490	-	480 - 500	7.7500	7.7480	7.756	-1.1	7.809	-3.1	8.149	-5.2	-
India	(Rs)	39.2350	-0.16	200 - 500	39.2700	39.1220	-	-	-	-	-	-	-
Israel	(Shk)	3.5334	-0.0054	299 - 368	3.5389	3.5299	-	-	-	-	-	-	-
Japan	(Y)	128.385	+1.085	340 - 430	128.500	126.750	127.78	5.7	126.63	5.5	121.6	5.3	122.0
Malaysia	(M$)	3.7795	-0.0255	750 - 840	3.8200	3.7750	3.7755	1.3	3.7865	-0.7	3.9045	-3.3	-
New Zealand	(NZ$)	1.7060	-0.0027	053 - 068	1.7068	1.7050	1.7091	-2.2	1.7145	-2.0	1.7333	-1.6	-
Philippines	(Peso)	39.6500	-0.1	000 - 000	40.0000	39.0000	40.347	-21.1	41.2815	-16.5	46.807	-18.1	-
Saudi Arabia	(SR)	3.7507	+0.0002	502 - 512	3.7512	3.7502	3.7511	-0.1	3.7525	-0.2	3.758	-0.2	-
Singapore	(S$)	1.6694	-0.0131	684 - 704	1.6810	1.6620	1.6859	-11.9	1.7024	-7.9	1.7324	-3.8	-
South Africa	(R)	4.8590	-0.001	575 - 605	4.8650	4.8500	4.9035	-11.0	4.975	-9.5	5.259	-8.2	-
South Korea	(Won)	1483.00	-	100 - 500	-	-	-	-	-	-	-	-	-
Taiwan	(T$)	32.2225	-0.3275	000 - 450	32.5200	32.1790	32.2335	-0.4	32.255	-0.4	32.335	-0.3	-
Thailand	(Bt)	45.0500	-1.95	000 - 000	49.9500	42.8000	45.55	-13.3	46.325	-11.3	49.15	-8.1	-

† SDR rate per $ for Dec 18. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 18: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

December 18	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.75	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.60	-	3.30
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.75
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.75	6.25	6.17
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	2.75	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.17	5.39	5.50	5.65	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Dec 18	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	6¾ - 6¼	9 - 8½	9½ - 9	9½ - 9	9 - 8½	8½ - 8

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.21	96.21	+0.06	96.22	96.16	10,323	63,434
Jun	96.02	96.02	+0.05	96.02	95.97	3,411	39,654
Sep	95.88	95.87	+0.07	95.88	95.81	130	28,571

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.16	96.20	+0.04	96.21	96.16	37095	382130
Jun	95.97	96.03	+0.06	96.04	95.97	40145	329040
Sep	95.80	95.88	+0.07	95.89	95.80	21629	233018
Dec	95.60	95.67	+0.07	95.68	95.60	14981	211921

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jan	-	96.41	+0.01	-	-	0	633
Feb	-	96.36	+0.04	-	-	0	133
Mar	-	96.30	+0.04	-	-	0	100
Apr	-	96.27	+0.04	-	-	0	50

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.61	94.68	+0.06	94.69	94.61	18719	150388
Jun	95.23	95.29	+0.06	95.30	95.23	8423	129061
Sep	95.46	95.51	+0.07	95.51	95.46	5393	89496
Dec	95.45	95.50	+0.08	95.50	95.45	3984	61735

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.28	98.28	+0.01	98.29	98.22	4992	67113
Jun	98.10	98.11	+0.02	98.13	98.07	2363	32284
Sep	97.95	97.97	+0.02	97.99	97.94	1111	16932
Dec	97.73	97.74	+0.02	97.75	97.71	649	7626

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	99.26	+0.02	-	-	0	n/a
Jun	-	99.34	+0.05	-	-	0	n/a
Sep	-	99.33	+0.05	-	-	0	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.50	95.51	+0.01	95.52	95.50	610	8818
Jun	95.49	95.49	+0.03	95.51	95.49	178	8160
Sep	95.45	95.46	+0.04	95.47	95.45	185	8108
Dec	95.52	95.53	+0.05	95.52	95.51	146	3903

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9450	0.30	0.83	1.06	0.12	0.04	0.05
9475	0.15	0.61	0.84	0.22	0.07	0.08
9500	0.07	0.42	0.62	0.39	0.13	0.11

Est. vol. total, Calls 2037 Puts 1218. Previous day's open int., Calls 160603 Puts 51446

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec 18		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.47	16.23	4.847	1.882	4759	5.463	19.81	495.7	410.4	21.23	3.928	1.647	3.895	2.735	351.1	2.453
Denmark	(DKr)	54.15	10	8.788	2.625	1.019	2577	2.958	10.72	268.4	222.2	11.49	2.127	0.892	2.109	1.481	190.1	1.328
France	(FFr)	61.62	11.38	10	2.987	1.159	2932	3.366	12.20	305.4	252.9	13.08	2.420	1.015	2.400	1.685	216.3	1.511
Germany	(DM)	20.63	3.810	3.348	1	0.388	981.7	1.127	4.086	102.3	84.67	4.380	0.810	0.340	0.804	0.564	72.43	0.506
Ireland	(I£)	53.15	9.816	8.626	2.576	1	2529	2.904	10.53	263.4	218.1	11.28	2.088	0.875	2.070	1.454	186.6	1.304
Italy	(L)	2.101	0.388	0.341	0.102	0.040	100	0.115	0.416	10.42	8.624	0.448	0.083	0.035	0.082	0.057	7.378	0.052
Netherlands	(Fl)	18.30	3.381	2.971	0.887	0.344	871.1	1	3.625	90.73	75.12	3.886	0.719	0.301	0.713	0.501	64.27	0.449
Norway	(NKr)	50.49	9.325	8.194	2.447	0.950	2403	2.758	10	250.3	207.2	10.72	1.983	0.831	1.967	1.381	177.3	1.238
Portugal	(Es)	20.17	3.726	3.274	0.978	0.380	960.1	1.102	3.996	100	82.80	4.283	0.792	0.332	0.786	0.552	70.84	0.495
Spain	(Pta)	24.37	4.500	3.954	1.181	0.458	1160	1.331	4.826	120.8	100	5.173	0.957	0.401	0.949	0.666	85.55	0.598
Sweden	(SKr)	47.10	8.700	7.645	2.283	0.886	2242	2.573	9.330	233.5	193.3	10	1.850	0.776	1.835	1.288	165.4	1.155
Switzerland	(SFr)	25.46	4.702	4.132	1.234	0.479	1212	1.391	5.042	126.2	104.5	5.405	1	0.419	0.992	0.696	89.39	0.624
UK	(£)	60.73	11.22	9.855	2.944	1.143	2890	3.318	12.03	301.0	249.2	12.89	2.385	1	2.365	1.661	213.2	1.490
Canada	(C$)	25.67	4.741	4.167	1.244	0.483	1222	1.403	5.085	127.3	105.4	5.450	1.008	0.423	1	0.702	90.14	0.630
USA	($)	36.57	6.753	5.935	1.773	0.688	1740	1.998	7.243	181.2	150.1	7.763	1.436	0.602	1.424	1	128.4	0.897
Japan	(Y)	28.48	5.260	4.622	1.381	0.536	1355	1.556	5.641	141.2	116.9	6.046	1.119	0.469	1.109	0.779	100	0.699
Ecu	-	40.77	7.529	6.616	1.976	0.767	1940	2.227	8.075	202.1	167.3	8.655	1.601	0.671	1.588	1.115	143.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.5668	0.5665	-0.0002	0.5675	0.5653	27,657	65,153
Jun	-	0.5694	-0.0001	-	0.5694	8	4,394
Sep	-	0.5720	-	-	-	7	140

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7976	0.7906	-0.0070	0.7992	0.7898	55,223	88,926
Jun	-	0.8015	-0.0071	-	0.8015	44	1,676
Sep	-	0.8190	-	-	-	4	1,271

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7040	0.7017	-0.0020	0.7040	0.7004	9,658	37,237
Jun	0.7106	0.7092	-0.0015	0.7106	0.7090	10	1,460
Sep	-	0.7153	-0.0023	-	-	6	110

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.6448	1.6512	+0.0068	1.6536	1.6416	14,552	30,461
Jun	1.6450	1.6470	+0.0096	1.6470	1.6450	44	1,305
Sep	-	1.6306	-	-	-	4	4

UK INTEREST RATES

LONDON MONEY RATES

Dec 18	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7¼ - 6½	7¼ - 7⅛	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	7¼ - 7⅛	[illegible]	-	-
Bank Bills	-	-	7¼ - 7⅛	[illegible]	[illegible]	-
Local authority deps.	7⅛ - 7	7¼ - 7⅛	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	7¼ - 7⅛	7¼ - 7	-	-	-	-

UK clearing bank base lending rate 7¼ per cent from Nov 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Dec 12, 7.0303pc. ECGD fixed rate Stg. Export Finance. Make up day Nov 28, 1997. Agreed rate for period Dec 24, 1997 to Jan 26, 1998, Scheme III 8.84pc. Reference rate for period Nov 1, 1997 to Nov 28, 1997, Schemes IV & V 7.601pc. Finance House Base Rate 7½pc from Dec 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.37	92.36	-0.01	92.38	92.36	10584	139761
Jun	92.47	92.46	-0.01	92.48	92.45	9199	109088
Sep	92.63	92.62	-0.01	92.64	92.62	7927	85014
Dec	92.83	92.82	-0.01	92.84	92.82	3471	77155
Mar	93.05	93.04	-0.01	93.06	93.03	2046	65294

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9225	0.20	0.33	0.51	0.09	0.12	0.14
9250	0.08	0.18	0.34	0.20	0.22	0.22
9275	0.03	0.08	0.21	0.42	0.37	0.34

Est. vol. total, Calls 5483 Puts 3092. Previous day's open int., Calls 162613 Puts 148229

EMS EUROPEAN CURRENCY UNIT RATES

Dec 18	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.763527	-0.000682	-4.40	7.29	30
Italy	1906.48	1938.20	+4.3	1.66	0.89	-12
Finland	5.85424	5.95930	+0.00633	1.79	0.76	-12
Spain	163.826	167.193	+0.216	2.06	0.50	-14
Portugal	197.398	201.944	+0.282	2.30	0.26	-15
France	6.45863	6.61204	+0.00693	2.38	0.19	-20
Denmark	7.34555	7.52340	+0.00815	2.42	0.14	-17
Germany	1.92573	1.97438	+0.00235	2.53	0.04	-25
Austria	13.5485	13.8906	+0.0166	2.53	0.04	-18
Netherlands	2.16979	2.22531	+0.00286	2.56	0.01	-19
Belgium	39.7191	40.7383	+0.0444	2.57	0.00	-19
NON ERM MEMBERS						
Greece	295.269	310.884	+0.228	5.32	-2.62	-
UK	0.793103	0.670986	-0.005504	-15.40	21.23	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jan	Feb	Mar	PUTS Jan	Feb	Mar
1.650	2.40	3.10	3.34	1.31	2.19	2.79
1.660	1.87	2.55	2.86	1.84	2.62	3.29
1.670	1.41	2.03	2.51	2.40	3.19	3.86

Previous day's vol., Calls 4,822 Puts 1,119 . Prev. day's open int., Calls 28,141 Puts 21,301

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Jan	Feb	Mar	PUTS Jan	Feb	Mar
0.560	0.97	1.52	2.14	0.45	0.84	1.24
0.565	0.68	1.24	1.61	0.67	1.07	1.70
0.570	0.47	1.00	1.20	0.96	1.33	2.32

Previous day's vol., Calls 943 Puts 45 . Prev. day's open int., Calls 6,814 Puts 16,827

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.16	94.18	+0.09	94.21	94.15	76,143	491,939
Jun	94.14	94.16	-0.03	94.17	94.13	46,259	385,631
Sep	94.09	94.12	+0.02	94.13	94.08	40,524	283,112

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.04	95.05	+0.01	95.06	95.04	268	7,214
Jun	-	95.04	+0.02	95.10	-	93	1,168
Sep	-	95.02	-	-	-	6	23

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Jan	Feb	Mar	Jun	PUTS Jan	Feb	Mar	Jun
9600	0.22	0.23	0.24	0.17	0.02	0.03	0.04	0.14
9625	0.04	0.06	0.07	0.07	0.09	0.11	0.12	0.29
9650	0.01	0.01	0.02	0.02	0.31	0.31	0.32	0.49
9675	0	0	0.01	0.01	0.55	0.55	0.56	0.73

Est. vol. total, Calls 3967 Puts 1757. Previous day's open int., Calls 267144 Puts 296879

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9850	0.05	0.07	0.06	0.29	0.46	0.59
9875	0.02	0.03	0.02	0.51	0.67	0.80

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 0 Puts 866

BASE LENDING RATES

	%		%		%
Adam & Company	7.25	Exeter Trust Limited	8.25	●Singer & Friedlander	7.25
Allied Irish Bank (GB)	7.25	Financial & Gen Bank	8.00	●Smith & Williamson	7.25
●Henry Ansbacher	7.25	●Robert Fleming & Co	7.25	Sun Banking Corp Ltd	7.25
Banco Bilbao Vizcaya	7.25	●Guinness Mahon	7.25	TSB	7.25
Bank of Cyprus	7.25	Habib Bank AG Zurich	7.25	United Bank of Kuwait	7.25
Bank of Ireland	7.25	●Hambros Bank	7.25	Unity Trust Bank Plc	7.25
Bank of India	7.25	Heritable & Gen Inv Bk	7.25	Whiteaway Laidlaw	7.25
Bank of Scotland	7.25	C. Hoare & Co	7.25	Yorkshire Bank	7.25
Barclays Bank	7.25	Hongkong & Shanghai	7.25		
Brit Bk of Mid East	7.25	Investec Bank (UK) Ltd	7.25	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	7.25	Julian Hodge Bank	7.25	* In administration	
Citibank NA	7.25	●Leopold Joseph & Sons	7.25		
Clydesdale Bank	7.25	Lloyds Bank	7.25		
The Co-operative Bank	7.25	Midland Bank	7.25		
Coutts & Co	7.25	NatWestminster	7.25		
Cyprus Popular Bank	7.25	●Rea Brothers	7.25		
Duncan Lawrie	7.25	Royal Bk of Scotland	7.25		
		Scottish Widows Bank	7.25		

COMMODITIES AND AGRICULTURE

Bundesbank statement gives fillip to gold

MARKETS REPORT

By Kenneth Gooding, Robert Corzine and Vincent Boland

The price of gold moved higher yesterday after Hans Tietmeyer, president of the Bundesbank, Germany's central bank, said European central bankers agreed that a future European central bank should hold some gold.

Mr Tietmeyer also insisted during a press conference in Frankfurt that Germany had no plans to sell any gold from its central bank reserves.

Traders pointed out that Mr Tietmeyer's remarks did not break any new ground. However, the price of gold in London rose more than $2 a troy ounce to be "fixed" at $290.

One trader said a more important factor in gold's rise was the withdrawal of a substantial seller. "We know there's been something going on for the past couple of weeks on the selling side. That started to alleviate on Tuesday, allowing the market some relief."

On the London Metal Exchange most metals continued to recover from the sharp falls seen earlier this week. Copper closed up US$11 a tonne at $1,786, or 2.6 per cent above this week's low of $1,740. Analysts continue to cut their price forecasts, however. The government of Chile, the world's biggest copper producer, lowered its 1998 forecast from $2,094-$2,204 a tonne to $1,873-$1,983. Wayne Atwell, at Morgan Stanley, reduced his 1998 forecast by $110 a tonne to $1,763.

Crude oil prices finally bucked the bearish trend of recent weeks. The price of Brent Blend for February delivery, the world bellwether, rose to $17.88 a barrel in late trading on London's International Petroleum Exchange, 48 cents up on Wednesday's close and 66 cents up on its low of $17.22 on Wednesday.

Traders attributed the rise to short-covering by speculators and renewed uncertainty over when Iraq might resume exports.

After heavy selling this week, coffee futures steadied yesterday in London and New York amid reports that next year's harvest in Brazil would be lower than estimated. That caught market bears off-guard and pushed prices up, though only modestly.

On the London International Financial Futures and Options Exchange, the March coffee future rose $41 to $1,684 a tonne, after Leon Yallouz, an influential private forecaster, reportedly suggested that the 1998-99 Brazilian harvest estimate would be between 33m and 35.5m 60kg bags lower than expected.

On the New York Cotton, Sugar and Cocoa Exchange, the March coffee future was up 3.65 cents a pound to 164.50 cents at noon. Cocoa and sugar prices were also higher.

Asian turmoil hits grain futures

The latest wave of Asian economic turmoil has hit international grain markets. Last week, wheat futures slipped to their lowest level for five months on the Chicago Board of Trade. Corn futures fared little better, with near-term contracts tumbling to levels last seen in early October, as rumours circulated of cancelled Korean orders.

Wheat futures on the CBOT last week hit their lowest level for five months AP

Sentiment was not helped by the news earlier this week that Korea had asked the US Department of Agriculture for $1.6bn in credit guarantees to help finance purchases of corn, wheat, soyabeans and cotton.

Chris Goldthwait, USDA general sales manager, said yesterday that it would probably be "a few more days" before any decision was taken on the request.

Essentially, the credit scheme involves guarantees against payment of exported agricultural goods when foreign firms import US product on a deferred payment basis.

But US officials have already indicated that they, in turn, would probably require the Korean government to back letters of credit issued to importers by Korean banks.

Most grain analysts expect some help to be forthcoming – although, if the full $1.6bn request were approved, it would be the largest grant to any single country under the department's export credit programme since the break-up of the Soviet Union.

It is difficult to assess the extent to which Asia's problems will affect demand in international grain markets. USDA began with an estimate of a $500m drop in exports, but is now working on a revised, higher figure.

However, some analysts think that the full impact will only be felt over an extended period. "We see this more as a limiting factor, on herd expansion, for example," said Daniel Basse, at the Chicago-based AgResource firm. He pointed out that in the short term there was "no sign of people slaughtering livestock".

Nevertheless, as the lack of capital squeezes out investment in milling and similar facilities, AgResource predicts that the growth in grain demand from the region will slow significantly – perhaps to between 3 per cent and 9 per cent a year, rather than the heady 9-14 per cent range seen in recent years. That could begin to affect grain prices by the middle of next year.

Dale Gustafsen, at Smith Barney, agrees. "It's going to take a little while to assess," he said.

"As long as economic growth is positive, demand may be reduced, but I'd be hesitant to say it's made a big change in our forecasts at this stage."

But he, too, pointed out that if the economic impact were severe, reduced demand for value-added products, such as meat, could have a domino effect.

In the short term, by contrast, he noted that buyers from countries such as South Korea and Indonesia had at least remained in the market.

Even the big agricultural equipment manufacturers, who have benefited from solid farm incomes in the US, have taken note of the slump. Most point out that direct sales to south-east Asia account for only a small amount of the total. However, shares in companies such as Caterpillar and Case have been marked down, in part because of concerns about the situation in Asia.

"The market's more negative than it needs to be," said Jean-Pierre Rosso, the head of Case. "The question is: what are the grain markets going to be like next year?" He predicted poor crops in south-east Asia next year because of the latest El Niño weather pattern – a periodic warming of the tropical Pacific Ocean by a few degrees.

"Those people still need to eat, so I think the combination of that, and the fact that the crops will be very poor... means they'll import food anyway," Mr Rosso said.

"Nobody wants to see their people starve and get social disruption. So grain consumption is going to be there, and I don't agree that grain exports will substantially diminish. I think stocks in the world today are too low to let that happen."

Nikki Tait

Report upbeat for oil exporters

By Robert Corzine

Oil companies in newly industrialising countries could show greater resilience to oil price and emerging market uncertainty over the coming year than other industrial and financial sectors in those countries, according to new research by Robert Fleming, the London investment bank.

A report warns that oil companies in Asia have a big exposure to troubled economies and are expected to turn in another poor performance in 1998.

But it concludes that companies oriented towards upstream exploration and production, and which are backed by undervalued assets, could maintain their performance momentum.

The report said that Asian oil companies will be at a "distinct disadvantage" because the broader business environment favours oil and gas producers.

Alan Marshall, oil analyst, said there was also "a huge number of new equity issues from Asian oil and petrochemical companies waiting in the wings".

Although companies exposed to individual markets in troubled economies will probably struggle, those with exportable oil and which can sell into a larger global pool should benefit.

There may be other advantages for upstream producers. Partially privatised oil companies in emerging markets will probably maintain their investment levels, and may even take advantage of any prolonged oil price weakness to do deals or acquire additional assets.

Mr Marshall said Latin American oil stocks looked particularly good in spite of strong performance this year. Brazil's oil sector has risen by almost 50 per cent this year while Argentina's is up by 25 per cent.

Mr Marshall said the two main companies in those countries – Petrobras in Brazil and YPF in Argentina – would "probably ride through the uncertainty" far better than many other industrial and financial companies in those countries.

He described Russian shares as a "conundrum" and said it was the "trickiest country of all to call". The intervention of big western oil companies in the country was a positive development, and suggested that "financial/industrial holding companies may be more attractive than in the past".

Flemings said the Indian oil and gas industry remained attractive on fundamentals, although the petroleum sectors in both India and South Africa "might struggle a bit".

Shippers warned over gas shortage

By Robert Corzine

The spot price of natural gas in Britain rose dramatically this week in response to a surge in weather-induced demand that forced Transco, the monopoly pipeline operator, to inject expensive storage gas into the national transmission system.

On Wednesday morning the spot price on the Transco-operated "flexibility mechanism" shot up from a rolling 30-day average of 0.4858 pence per kilowatt-hour to 16.97 pence per kilowatt-hour. That equates to about £5 per therm, compared with an average of about 15p a therm.

Transco said the price spike occurred because demand continued to rise after North Sea platforms were delivering the maximum amount of gas that could be shipped through the country's shore terminals. Transco cut off several large gas users because of the surge in demand, which coincided with a cold snap.

It also warned the 30-odd shippers using its system of financial consequences that could flow from its decision to bring in additional supplies from the Rough offshore storage field.

A fax sent to shippers warned that there were "serious financial implications" for shippers who found themselves short of gas on the day. Any shipper found to have had a supply deficit on Wednesday will have to make up the shortfall at £5 a therm.

Ofgas, the industry regulator, last night declined to comment on the price spike, although it confirmed that it was talking to industry participants about it. Many shippers have previously complained about the extreme financial penalties possible under the system.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1516-17	1542-43
Previous	1506-07	1531.5-32.5
High/low		
AM Official	1500.5-1.5	1526.5-27.5
Kerb close		1547-48
Open int.	260,009	
Total daily turnover	101,212	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1373-78	1397-400
Previous	1370-75	1396-97
High/low		1405/1392
AM Official	1363-68	1390-90.5
Kerb close		1405-10
Open int.	5,643	
Total daily turnover	1,434	

■ LEAD ($ per tonne)

Close	542.5-3.5	552-3
Previous	527.5-28.5	538-39
High/low		558/545
AM Official	535-36	545-46
Kerb close		556-7
Open int.	32,774	
Total daily turnover	11,060	

■ NICKEL ($ per tonne)

Close	5890-900	5985-90
Previous	5895-905	5995-6000
High/low		6040/5960
AM Official	5870-75	5975-80
Kerb close		5955-6000
Open int.	60,288	
Total daily turnover	18,744	

■ TIN ($ per tonne)

Close	5415-25	5355-60
Previous	5450-60	5370-80
High/low		5410/5340
AM Official	5385-95	5340-45
Kerb close		5300-65
Open int.	15,504	
Total daily turnover	2,735	

■ ZINC, special high grade ($ per tonne)

Close	1124.5-25.5	1148-49
Previous	1108-09	1132-33
High/low		1161/1140
AM Official	1117-18	1140-41
Kerb close		1157-58
Open int.	80,163	
Total daily turnover	28,017	

■ COPPER, grade A ($ per tonne)

Close	1751-52	1781-82
Previous	1739-40	1769-70
High/low		1793/1770
AM Official	1740.5-41.5	1772-73
Kerb close		1786-87
Open int.	152,160	
Total daily turnover	57,568	

■ LME AM Official £/$ rate: 1.6589

LME Closing £/$ rate: 1.6610

Spot 1.6627 3 mths: 1.6590 6 mths: 1.6491 9 mths: 1.6446

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	79.75	+0.65	80.05	78.60	521	1,029
Jan	80.10	+0.55	80.30	78.90	248	3,381
Feb	80.65	+0.55	80.90	80.10	112	2,029
Mar	81.20	+0.55	81.60	79.95	4,366	35,296
Apr	81.80	+0.55	81.95	81.05	15	1,522
May	82.05	+0.45	82.40	81.10	252	5,057
Total					5,887	68,771

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	288.40-288.90		
Opening	287.20-287.60		
Morning fix	287.05	173.13	413.41
Afternoon fix	290.00	174.67	417.17
Day's High	291.00-291.40		
Day's Low	286.80-287.20		
Previous close	287.70-288.20		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....4.16 6 months 4.14
2 months ....4.14 12 months 4.14
3 months 4.14

Silver Fix	p/troy oz.	US cts equiv.
Spot	362.50	601.00
3 months	364.95	602.50
6 months	364.60	364.60
1 year	364.45	364.45

Gold Coins	$ price	£ equiv.
Krugerrand	282.5-284.5	170-171
Maple Leaf	-	-
New Sovereign	66-69	40-42

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	287.2	-1.9	290.0	288.0	57	156
Jan	287.9	-1.9	-	-	3	2
Feb	289.2	-1.8	292.9	287.6	26,705	99,853
Apr	290.9	-1.8	294.7	289.4	1,029	12,106
Jun	292.9	-1.9	296.6	291.8	1,448	11,352
Aug	294.9	-1.9	297.0	295.0	23	5,249
Total					30,228	186,019

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jan	356.7	+2.7	358.5	351.5	2,931	8,457
Apr	354.9	+1.7	357.0	352.5	1,289	5,769
Jul	353.9	+1.2	358.0	355.0	13	251
Total					4,233	14,481

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Dec	191.25	+0.20	192.00	191.00	30	235
Mar	189.00	+0.95	192.00	187.20	663	3,417
Jun	187.00	+0.95	188.00	188.00	4	238
Sep	184.00	+0.95	-	-	-	4
Total					697	3,894

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Dec	602.8	+10.2	600.0	592.0	37	530
Jan	605.1	+10.5	596.0	596.0	4	29
Mar	607.3	+10.5	608.0	593.0	12,521	66,752
May	607.3	+10.5	608.0	598.0	657	6,635
Jul	607.4	+10.6	603.5	594.5	613	7,282
Sep	607.1	+10.3	-	-	446	1,039
Total					16,211	93,983

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	18.34	+0.15	18.35	18.19	38,203	39,331
Feb	18.56	+0.16	18.57	18.38	41,884	115,7[illegible]
Mar	18.72	+0.14	18.72	18.58	13,934	42,903
Apr	18.86	+0.12	18.86	18.73	4,796	25,837
May	19.00	+0.12	19.00	18.92	1,678	21,741
Jun	19.03	+0.07	19.08	19.00	2,910	34,497
Total					111,658	431,798

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	17.54	+0.14	17.61	17.48	10,034	81,427
Mar	17.60	+0.08	17.66	17.56	3,420	34,689
Apr	17.63	+0.07	17.70	17.63	571	16,355
May	17.70	+0.07	17.75	17.70	347	12,000
Jun	17.76	+0.09	17.77	17.72	153	13,433
Jul	17.78	+0.07	17.73	17.74	94	6,105
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	52.15	+0.37	52.50	51.80	22,387	37,493
Feb	52.55	+0.36	52.75	52.20	13,532	41,772
Mar	52.75	+0.36	52.85	52.35	4,042	19,017
Apr	52.15	+0.16	52.25	52.10	1,142	10,430
May	51.90	+0.31	51.80	51.70	321	8,256
Jun	51.55	+0.26	51.56	51.50	634	10,668
Total					42,988	147,488

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	161.75	+1.75	162.00	160.00	5,387	28,098
Feb	162.50	+1.75	162.50	161.00	2,490	13,500
Mar	162.75	+1.25	162.75	161.25	768	12,314
Apr	162.50	+1.25	162.50	162.00	165	4,589
May	163.00	+1.50	163.00	161.75	247	3,194
Jun	162.75	+1.50	162.50	161.50	225	11,247
Total					14,138	88,067

■ NATURAL GAS IPE (1,000 therms; pence per therm)

Jan	17.150	-0.550	17.520	17.150	155	4,050
Feb	17.150	-0.540	17.529	17.150	160	3,560
Total					675	15,075

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	2.395	-0.043	2.500	2.350	41,972	40,214
Feb	2.345	-0.056	2.455	2.310	12,611	36,872
Mar	2.285	-0.048	2.374	2.260	5,140	24,429
Apr	2.215	-0.030	2.290	2.195	2,261	12,098
May	2.195	-0.017	2.245	2.180	1,150	9,265
Jun	2.190	-0.015	2.230	2.185	1,015	8,891
Total					67,070	218,880

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	56.00	+0.47	56.05	55.40	14,535	23,133
Feb	56.35	+0.61	56.40	55.70	8,317	30,973
Mar	56.80	+0.51	56.80	56.25	2,908	12,122
Apr	59.20	+0.31	-	-	1,011	11,704
May	58.90	+0.23	58.90	58.60	295	10,167
Jun	58.45	+0.28	58.45	58.40	524	8,267
Total					28,064	110,872

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	81.25	-0.45	81.40	81.25	209	697
Mar	83.75	-0.45	83.90	83.50	2	2,806
May	85.75	-0.45	85.85	85.50	122	3,696
Jul	87.75	-0.45	87.90	87.60	37	471
Sep	80.65	-0.55	80.50	80.50	5	33
Total					741	8,593

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Dec	320.25	-12.25	330.00	320.25	26	54
Mar	334.25	-11.25	346.75	334.00	7,862	54,316
May	342.25	-10.75	354.75	342.00	599	11,899
Jul	347.75	-11.00	359.00	347.50	670	18,849
Sep	354.50	-9.50	356.00	354.50	-	461
Dec	363.50	-9.75	372.00	363.00	131	2,639
Total					9,289	88,284

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Dec	256.00	-5.00	262.00	255.75	2,855	2,874
Mar	267.25	-5.25	274.00	267.00	24,173	174,185
May	274.50	-5.50	280.75	274.25	2,313	46,488
Jul	280.25	-5.50	286.50	280.00	3,941	57,389
Sep	278.50	-3.75	280.75	278.25	212	5,768
Dec	280.50	-3.50	284.00	280.25	2,085	33,637
Total					35,603	322,349

■ BARLEY LIFFE (100 tonnes; £ per tonne)

Jan	74.60	-0.40	74.60	74.45	38	227
Mar	77.40	-0.40	77.40	77.25	39	1,429
May	78.25	-0.50	78.00	78.00	2	20
Sep	77.75	-0.40	-	-	-	6
Nov	79.75	-0.40	-	-	-	110
Total					79	1,792

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Jan	677.50	-12.00	694.00	677.00	22,555	51,785
Mar	680.25	-10.50	696.00	679.50	10,661	38,978
May	685.50	-10.25	701.50	685.00	2,478	24,166
Jul	690.50	-11.50	706.00	690.00	3,848	25,654
Aug	689.00	-12.00	704.00	689.00	537	3,753
Sep	678.00	-6.00	684.00	676.00	5	227
Total					40,584	154,992

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Dec	24.66	-0.14	25.15	24.65	433	298
Jan	24.84	-0.11	25.30	24.76	5,907	33,492
Mar	25.28	-0.01	25.59	25.13	5,726	40,384
May	25.49	-0.02	25.80	25.33	519	14,768
Jul	25.61	-0.01	25.95	25.43	1,004	12,040
Aug	25.53	-0.02	25.85	25.40	320	3,502
Total					13,951	107,276

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Dec	211.9	-3.8	217.0	210.8	3,291	3,011
Jan	206.0	-5.0	212.5	205.6	8,392	27,604
Mar	204.4	-4.2	210.5	204.3	4,624	34,690
May	203.6	-4.1	208.5	203.5	2,793	22,228
Jul	205.4	-3.9	210.0	205.1	1,153	15,960
Aug	205.7	-3.8	210.0	205.6	712	4,815
Total					21,388	115,980

■ POTATOES LIFFE (20 tonnes; £ per tonne)

Mar	91.0	-	-	-	-	-
Apr	111.0	-4.0	112.5	110.0	13	1,065
May	120.0	-5.0	-	-	-	42
Jun	130.0	-5.0	-	-	-	-
Nov	56.0	-	-	-	-	3
Total					13	1,154

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

Dec	1272	-	-	-	-	173
Jan	1170	-5	1175	1170	17	714
Feb	1180	-3	-	-	-	181
Apr	1280	-	1280	1280	2	431
Jul	1170	-	-	-	-	120
Total					19	1,679

	Close	Prev
BFI	1261	1276

PULP AND PAPER

■ PULPEX OMLX (US$; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	478.00	-2.25	478.00	478.00	7	387
Jun	498.75	-3.25	500.00	496.75	4	247
Total					11	634

FUTURES DATA

All futures data supplied by CMS.

Wool from Mallett & Co

Australian wool sales ended for the Christmas recess last week, with the eastern market indicator at 698 Australian cents a kg. This indicator has maintained a relatively steady course since July, being 720 when the selling season opened, but in wool using countries there have often been wider variations for currency reasons. The UK with sterling strong found wool cheaper to buy, but in Japan it was more expensive as the yen weakened. New Zealand followed a roughly similar course and the indicator there is practically back to its level in January, closing at 440 cents, up 11 on the week.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1069	-11	1074	1074	46	534
Mar	1096	-11	1112	1092	3,518	71,649
May	1116	-10	1132	1112	333	25,068
Jul	1135	-10	1152	1132	161	11,762
Sep	1154	-10	1165	1150	367	20,587
Dec	1172	-9	1182	1168	997	24,486
Total					6,953	186,570

■ COCOA CSCE (10 tonnes; $/tonnes)

Mar	1695	+2	1707	1683	4,303	45,078
May	1724	+4	1733	1717	654	20,522
Jul	1744	+4	1740	1737	63	4,781
Sep	1763	+4	-	-	10	5,857
Dec	1784	+4	1795	1785	470	9,403
Mar	1804	+4	-	-	16	9,894
Total					5,630	98,644

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
Dec 17		
Daily	1309.04	1322.97

■ COFFEE LIFFE (5 tonnes; $/tonne)

Jan	1707	+49	1709	1640	2,147	8,641
Mar	1684	+41	1685	1620	3,146	26,265
May	1674	+36	1670	1618	486	7,095
Jul	1666	+33	1639	1609	63	1,384
Sep	1666	+33	-	-	-	619
Nov	1671	+33	-	-	-	30
Total					5,843	44,034

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Mar	165.05	+4.20	166.50	161.00	6,778	18,004
May	160.80	+5.10	161.25	158.25	908	5,672
Jul	155.00	+4.95	155.00	152.50	428	2,852
Sep	148.50	+4.60	148.00	145.50	214	1,270
Dec	144.00	+4.10	144.25	142.75	85	1,213
Mar	141.00	+4.10	-	-	22	274
Total					8,545	29,580

■ COFFEE (ICO) (US cents/pound)

		Prev. day
Dec 17		
Comp. daily	124.19	129.24
15 day average	130.74	130.44

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

Mar	307.6	+1.4	308.2	308.6	2,202	23,002
May	312.6	+1.3	312.6	311.5	361	7,081
Aug	314.4	+1.3	314.5	313.0	221	4,845
Oct	307.9	+0.5	308.6	308.4	152	4,313
Dec	309.0	+0.5	-	-	-	154
Total					2,936	39,673

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	12.31	+0.15	12.35	12.15	28,634	97,961
May	12.09	+0.09	12.14	12.03	7,088	34,015
Jul	11.68	+0.04	11.74	11.65	3,549	29,977
Oct	11.55	-	11.63	11.55	2,079	25,779
Mar	11.41	+0.01	11.50	11.44	625	7,196
May	11.35	+0.01	-	-	178	1,121
Total					42,247	197,280

■ COTTON NYCE (50,000lbs; cents/lbs)

Mar	67.75	+0.56	68.05	67.50	5,611	43,225
May	69.08	+0.69	69.34	68.90	1,770	15,176
Jul	70.32	+0.69	70.60	70.00	741	15,014
Oct	72.10	+0.65	72.10	71.80	41	1,374
Dec	72.80	+0.62	72.88	72.55	1,187	12,704
Mar	73.95	+0.60	73.90	73.50	4	381
Total					9,356	88,312

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Jan	87.00	+0.20	88.00	85.50	4,711	14,808
Mar	90.25	-	91.30	89.00	3,378	21,106
May	93.55	-0.05	94.50	92.80	389	4,657
Jul	96.80	-0.05	97.05	96.40	238	3,227
Sep	99.90	-0.05	99.00	98.50	50	1,366
Nov	102.55	+0.10	102.00	102.00	205	1,681
Total					8,776	47,580

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Dec 18	Dec 17	month ago	year ago
1756.5	1760.6	1823.0	1802.8

■ CRB Futures (Base: 1967 = 100)

Dec 17	Dec 16	month ago	year ago
234.01	233.03	-	-

■ GSCI Spot (Base: 1970 = 100)

Dec 17	Dec 16	month ago	year ago
181.74	180.75	198.63	224.85

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-2,000	to	630,525
Aluminium alloy	+140	to	42,300
Copper	+25	to	329,675
Lead	-300	to	113,175
Nickel	-156	to	68,166
Zinc	-525	to	490,200
Tin	+605	to	12,090

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Dec	67.000	-0.250	67.400	66.725	2,408	4,379
Feb	66.000	-0.650	66.650	65.800	8,424	48,471
Apr	69.075	-0.550	69.625	68.850	3,059	25,053
Jun	68.725	-0.400	69.050	68.400	1,364	15,593
Aug	68.575	-0.300	68.900	69.425	758	5,848
Oct	72.025	-0.275	72.300	72.025	129	1,464
Total					16,161	101,910

■ LEAN HOGS CME (40,000lbs; cents/lbs)

Feb	59.625	-0.400	60.100	59.475	2,959	21,351
Apr	57.075	-0.175	57.275	56.900	839	8,448
Jun	64.625	-0.275	64.950	64.600	469	4,954
Jul	63.725	-0.175	63.975	63.700	99	1,460
Aug	61.625	-	61.700	61.600	28	263
Oct	57.700	-	57.800	57.700	16	600
Total					4,516	37,217

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	55.275	-0.530	56.000	55.000	883	5,979
Mar	54.800	-0.500	55.600	54.700	154	1,274
May	55.975	-0.325	56.200	55.700	41	1,017
Jul	54.550	-0.300	54.900	54.500	47	606
Aug	50.775	-0.250	51.250	50.775	5	91
Total					1,133	8,996

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Jan	Apr	Jan	Apr
1525	34	76	23	46
1550	22	63	36	58
1575	13	52	52	71
■ COPPER (Grade A) LME	Jan	Apr	Jan	Apr
1750	46	100	27	56
1800	23	74	53	80
1850	10	54	90	108
■ COFFEE LIFFE	Jan	Mar	Jan	Mar
1700	3	85	45	101
1750	-	73	92	139
1800	-	60	142	176
■ COCOA LIFFE	Mar	May	Mar	May
1050	67	96	21	30
1075	53	81	32	40
1100	42	67	46	51
■ BRENT CRUDE IPE	Feb	Mar	Feb	Mar
1700	-	-	24	-
1750	-	-	44	-
1800	27	45	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)		+or-
Dubai	$16.05-6.20	+0.125
Brent Blend (dated)	$17.24-7.26	+0.27
Brent Blend (Feb)	$17.72-7.76	+0.19
W.T.I.	$18.63-8.65	+0.18
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$181-183	+2
Gas Oil	$162-165	+2.5
Heavy Fuel Oil	$77-79	-1
Naphtha	$170-171	+1
Jet fuel	$184-186	+2
Diesel	$170-172	+1
■ NATURAL GAS (Pence/therm)		
Bacton (Jan)	17.10-17.20	-0.55

Petroleum Argus. Tel. London (0171) 359 8792

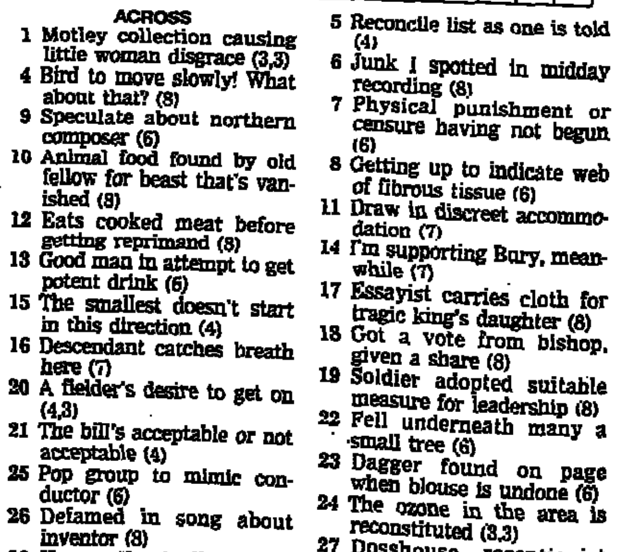
■ OTHER		
Gold (per troy oz)♣	$288.65	+0.70
Silver (per troy oz)♣	601.00c	+6.00
Platinum (per troy oz.)	$355.00	+7.50
Palladium (per troy oz.)	$190.00	+2.25
Copper	85.0c	+2.0
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	20.30r	
Tin (New York)	256.5	
Cattle (live weight)	92.86p	-2.63*
Sheep (live weight)	86.76p	-7.66*
Pigs (live weight)†	67.23p	+2.70*
Lon. day sugar (raw)	$295.20	+6.60
Lon. day sugar (wte)	$301.20	+4.20
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Dec)♥	54.50p	
Rubber (Jan)♥	54.50p	
Rubber (KL RSS No1)	269.0z	-1.0
Coconut Oil (Phil)§	575.0y	-27.5
Palm Oil (Malay.)§	530.0	-5.0
Copra (Phil)§	$390.0	-5.0
Soyabeans (US)	188.0	
Cotton Outlook'A' index	73.45c	-1.15
Wooltops (64s Super)	392p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jan/Feb. w Jan. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,998 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,562 Set by ARMONIE



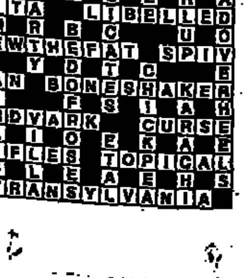
ACROSS

1 Motley collection causing little woman disgrace (3,3)
4 Bird to move slowly! What about that? (8)
9 Speculate about northern composer (6)
10 Animal food found by old fellow for beast that's vanished (8)
12 Eats cooked meat before getting reprimand (8)
13 Good man in attempt to get potent drink (6)
15 The smallest doesn't start in this direction (4)
16 Descendant catches breath here (7)
20 A fielder's desire to get on (4,3)
21 The bill's acceptable or not acceptable (4)
25 Pop group to mimic conductor (6)
26 Defamed in song about inventor (8)
28 He spells badly being unable to manage (8)
29 Arthur's wearing brown fabric (6)
30 Main contents initially found in telegram for know-all (8)
31 Newlywed accepts key from Archer (6)

DOWN

1 Hector accommodates fortunate craftsman (8)
2 Famous writer finally met overindulgent union member (8)
3 It's no mean production for the individual (3-3)
5 Reconcile list as one is told (4)
6 Junk I spotted in midday recording (8)
7 Physical punishment or censure having not begun (6)
8 Getting up to indicate web of fibrous tissue (6)
11 Draw in discreet accommodation (7)
14 I'm supporting Bury, meanwhile (7)
17 Essayist carries cloth for tragic king's daughter (8)
18 Got a vote from bishop, given a share (8)
19 Soldier adopted suitable measure for leadership (8)
22 Fell underneath many a small tree (6)
23 Dagger found on page when blouse is undone (6)
24 The ozone in the area is reconstituted (3,3)
27 Dosshouse receptionist betrayed junkie (4)

Solution 9,561



FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Fidelity Currency Funds Ltd					
AS Accum		A$20.137		+0.002	3.70
C$ Accum		C$19.173		+0.001	2.80
DM Accum		DM39.212		+0.002	2.40
DFl Accum		Dfl32.361		+0.002	2.20
ECU Accum		Ecu13.984		+0.001	3.20
FFr Accum		FFr58.704		+0.004	2.30
HK$ Accum		HK$128.11		+0.02	5.10
Lire Accum		[illegible]		+3	5.20
NZ$ Accum		NZ$42.986		+0.007	6.60
£ Accum		£13.948		+0.002	6.30
SFr Accum		SFr20.507		—	0.19
US$ Accum		$24.745		+0.003	4.80
Yen Accum		Y2093.6		—	0.10

	Selling Price	Buying Price	+ or -	Yield
Jupiter Tyndall World Umbrella Fund Ltd				
Eurobond	$16.62	17.38	+0.14	3.7
Money	$14.61	15.38	+0.01	7.93
Mortgage	C$24.61	26.17	-0.11	6.55
North American	$17.02	17.88	-1.31	0.00
Overseas	$13.39	14.07	-0.43	0.00
Tiger	$9.91	10.41	-1.06	0.00
UK Small Cos	£1.49	1.56	—	0.00

BERMUDA (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE INSURANCES

LUXEMBOURG (REGULATED)(**)

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Professional Investment Consultants

Royal Life International

Auram Funds

BAS-EX Currency Fund Plc

BEA Associates

Julius Baer Bank & Trust Co Ltd

Bahia Fund

Daiwa Intl Capital Management (H.K.) Ltd

Darier Hentsch Fund Management SA

Delta Managed Funds Limited

Dellec Panamerica Trust Company Ltd

Global Asset Management - Contd.

The Global Managed Investec Bond Limited

Global Portfolio (BVI) Management Ltd

Globalvest Management Co LP

Indochina Asset Management Limited

Indosuez Emerging Markets

Insinger Asset Management

The International Investor

INVESCO Asset Management

INVESCO France

Jupiter Asset Management (Asia) Ltd

Jupiter Asset Mngt (Bermuda) Ltd

OTHER OFFSHORE FUNDS

Goldman Sachs

Griffin Capital Management

Group One International Tst

KD Offshore Fund, C.V.

Kenmar Management Limited

● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Anglo Am Ind R.		£23¾		‡27⅞	£21⅝	-	3.0	ϕ
Barlow	ϕ	£5½	-⅛	£8½	£5¼	-	3.0	ϕ
Gold Flds Prop R.		122	-½	167	119	-	6.7	10.0
SA Brews	†	£15½xd	-⅛	£23¾	£13⅞	-	2.5	-
Standard Bank		£29⅝	-⅛	[illegible]	£21⅛	-	2.1	-
Tiger Oats		820xd		1100	730	-	2.3	ϕ
Tongaat-Hulett		748xd		780	718½	-	2.4	ϕ

TRADED INDEX SECURITIES

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
FTSE 100 TRANS.		£520xd		£52100	£472	-	-	-

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 Index constituents and reserves marked † in the Trading Volume table on the LSE page, last trade prices at or prior to 4:30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols *referring to dividend status* appear *in* the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on EMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ *Rule 4.2(a) Irish incorporated non-listed companies.*
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997
K Yield based on prospectus or other official estimates for 1998
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
N Dividend is paid in whole or part as a FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion.

♣ FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT8833. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports may also be ordered via the internet at http://www.icbinc.com. Reports will be sent the next working day, subject to availability.

FT Company Focus / Focus Plus

Comprehensive 10-18 page report available on this company, containing key news stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements.
Company Focus (FT news) £8.45.
Focus Plus (FT and Investors Chronicle news) £10.95.
To order, call 0121 200 4678.
Reports published by ShareFinder.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.
Calls are charged at 50p per minute at all times.
An international service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial pricing information obtained via FT Cityline before making any investment decision.
All access to and use of FT Cityline is subject to FT Cityline terms and conditions - your copy will be sent free on request.
Call 0171 873 4378 for more information on FT Cityline.

The share prices printed on these pages are also available on the internet at http://www.FT.com.

LONDON STOCK EXCHANGE

UK stocks drift lower ahead of futures expiry

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

UK shares made another attempt yesterday to extend the recent rally but, once again, failed to attract any substantial support.

Dealers insisted there had been no great pressure in the market but that the absence of any substantial buy-side interest meant prices inevitably had to slip away until they found viable support levels.

"The market was dominated by a sudden flurry of programme trades, with the balance coming down on the sell-side," said a senior marketmaker at one big European securities house.

Underlying worries about trends in far eastern markets were compounded by further disturbing news emanating from Tokyo where it was announced that two of Japan's leading stockbrokers, Daiwa and Nikko, had been suspended because of their alleged involvement with "sokaiya" racketeers.

That news was enough to upset the Tokyo market, which fell 2.2 per cent. Other Asian stock exchanges managed to make good progress, notably Seoul, while the Hong Kong market closed modestly higher.

Guardian Royal Exchange delivered the best individual performance in the FTSE 100 after various broker recommendations and amid market talk that the stock is one of Cazenove's 1998 "best buys". The big buying of NatWest continued with Bear Stearns, the US stockbroker, said to have bought up to 1m shares in the bank on behalf of an investment client.

Sentiment in London was undermined primarily by Wall Street, where the Dow Jones Industrial Average fell 18 points on Wednesday after the 3M profit warning. The Dow fell almost 30 points in the first five minutes after the opening yesterday.

The US market was unsettled despite some reasonably reassuring economic news which showed weekly jobless claims of 319,000, up slightly on the previous week, and a lower-than-expected US trade deficit for October.

The FTSE 100 index settled 22.5 off at 5,168.3. The second-line stocks, which have proved resilient during the bouts of weakness affecting the leaders, were being sold yesterday, and the FTSE 250 index eventually closed 20.5 lower. The FTSE SmallCap, on the other hand, edged 1.3 higher to 2,301.8.

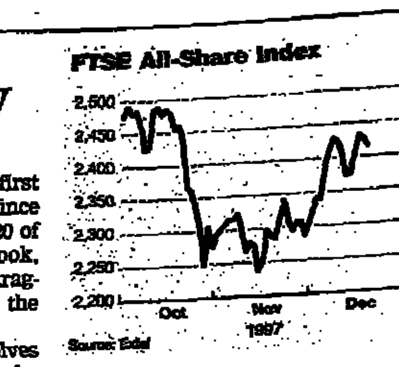
Earlier, the FTSE 100 had made good progress, recrossing the 5,200 level and hitting a session high of 5,219.3.

This morning brings the first expiry of the Footsie future since the introduction on October 20 of the new electronic order book, which facilitates instant arbitraging between the future and the underlying cash stocks.

Dealers are bracing themselves for a barrage of activity as the expiry takes place, in tandem with the expiry of FTSE 100 index options. The general feeling around trading desks is that the market may well make a decisive move after the expiries.

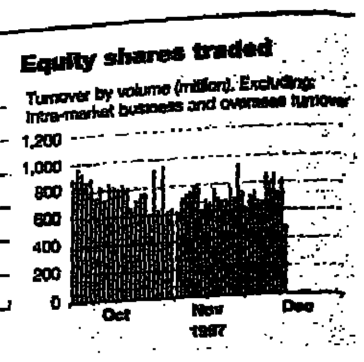
Turnover in equities topped the 1bn mark for the first time in many weeks boosted, according to dealers, by the burst of programme trade activity.

FTSE All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	5168.3	-22.5
FTSE 250	4735.8	-20.5
FTSE 350	2477.4	-10.8
FTSE All-Share	2417.28	-9.78
FTSE All-Share yield	3.22	3.21
FT 30	3288.20	+2.3
FTSE Non-Fins p/e	20.04	20.11
FTSE 100 Fut Dec	5178.0	-30.0
10 yr Gilt yield	6.37	6.40
Long gilt/equity yld ratio	1.99	2.00

Best performing sectors

1 Support Services .... +1.2
2 Media .... +0.9
3 Breweries: Pubs .... +0.9
4 Retailers: Food .... +0.8
5 Leisure & Hotels .... +0.8

Worst performing sectors

1 Alcoholic Beverages .... -1.6
2 Telecommunications .... -1.4
3 Retailers: General .... -1.2
4 Oil: Integrated .... -1.2
5 Pharmaceuticals .... -1.0

Asda delivers the goods

By Joel Kibazo, Peter John and Martin Brice

Food retailer **Asda Group** was the flavour of the sector after it posted interim figures ahead of the market's best estimates.

First-half profits of £190m comfortably beat expectations of between £180m and £185m. Further good news was that like-for-like sales in the current period are up 8.9 per cent while analysts were also keen to point to the 6 per cent increase in customer spending at the group's stores.

The shares improved 7½ to 178p, one of the day's best performers, in trade of 13m.

Several analysts indicated they would be upgrading full-year figures to around the £400m mark. Kleinwort Benson, a bull of the stock, was already on that figure and reiterated its "buy" stance.

Chairman Archie Norman said much of the recent speculation about Asda launching a bid for Safeway had been "fanciful" but rumours of such a move refused to die down yesterday. The two groups called off merger talks earlier this year.

Bargain hunters helped shares in Safeway improve 7½ to 336½p. Tesco surrendered 3 to 485p amid rumours of a slowing in current sales growth. Volume was 6.7m.

Pearson, the group which owns the Financial Times, dropped 34 to 790p as Merrill Lynch reduced its profit forecast in a broad review of the outlook for the sector.

Merrill said its new current year forecast was £286m, down from £297m, and next year's is £340m, down from £356m. The reduction takes the broker from the top of the range of forecasts on Pearson to the middle. And, while Merrill remains a buyer of the stock, it is believed that the change has staunched the flow of US buying activity which has bolstered the stock recently.

The Pearson cut is one of several throughout the sector as Merrill takes a view on the knock-on effect of the recent fall-out in Asia. It has also taken down its forecast on **BSkyB**. However, the share price was said to have been supported by technical activity in the options market and lifted 18 to 467p.

Merrill Lynch's engineering team had an impact on stocks in their sector yesterday, with recommendations producing two of the largest rises in the Footsie and the FTSE 250.

IMI preferred

IMI achieved the second-biggest rise in the FTSE 250. The stock rose 12½ to 408¼p after the broker named it as its preferred engineering stock for next year. SBC Warburg was also said to have reiterated its positive stance on the company.

LucasVarity achieved one of the larger rises in the Footsie after Merrill Lynch shifted its stance from neutral to accumulate. The shares gained more than 3 per cent or 7¼ to 207p.

Adam Collins at the broker focused on his estimate that the company could spend £1bn on acquisitions, which could increase earnings per share by up to 40 per cent.

He said the stock was trading on a prospective price/earnings ratio of about 5.8 times, compared with more than 7 times for its US peer group. This made the company attractive to US investors, who hold about 50 per cent of the shares.

Elsewhere in engineering, Triplex Lloyd said it had accepted a 280p-a-share bid from Doncasters, the Midlands engineer with a US listing. Triplex shares rose 10 to 272½p.

Engineering stocks have suffered the effects of strong sterling this year, and six have been the subject of bids. Paul Compton at Merrill Lynch said: "The smaller UK engineers clearly represent good value and there will be more bids of this type."

Network Technology, the electronic equipment maker, achieved one of the bigger rises among smaller companies as it issued a positive trading statement that focused on a strong gain in sales. The shares rose almost 14 per cent as they rose 14¼ to 122p.

Phonelink, the small software and telephone numbering service group that this week announced it had cut its pre-tax losses, gained 3½ to 43½p after a bout of share buying by its chairman. Sir Gordon Brunton paid 41p each for 50,000 shares.

Elsewhere among smaller stocks, **Country Casuals**, the retailer, rose almost 35 per cent or 31 to 122½p after it said it was in takeover talks.

Abacus Recruitment, the Aim-traded stock, achieved a 19 per cent gain after saying interim profits would increase fourfold to £800,000. The shares rose 41½ to 251½p.

Guardian Royal Exchange rallied 16¾ to 340¾p on consideration of the company's proposed acquisition of PPP healthcare. There was talk that the stock is featured as one of Cazenove's key recommendations for 1998. SBC Warburg Dillon Read moved the stock to a "hold" from "reduce" and HSBC James Capel reiterated its long-held buy stance on the stock.

A big order from the US was driving National Westminster. Dealers said Bear Stearns was buying heavily on behalf of a client. The shares were up 50 at one stage before closing a net 15 higher at £10.75.

Hambros, the merchant bank, fell 7 to 259p on news that Generale de Banque of Belgium had acquired the corporate banking department, which focuses on small and medium-sized UK companies. The announcement was seen as scuppering the possibility of an outright takeover and the final death notice of the merchant bank. "In the mid-eighties, Hambros was a household name. Now, it's no more than a smaller company," said one specialist salesman.

Glaxo Wellcome shed 30 to £14.25 although a US medical journal reported that Glaxo's Lamictal is effective for the treatment of seizures associated with Lennox-Gastaut syndrome, a severe form of epilepsy. The shares reacted instead to earlier bearish comment from Merrill Lynch.

Zeneca gained 8 to £20.77 on positive press comment and an earlier broker recommendation. The pharmaceuticals company added that it would give a trading update on January 27.

The recent reports of poor Christmas sales continued to affect leading issues in the sector. Marks and Spencer was the worst performer in the FTSE 100, falling 26 or 4.3 per cent to 574p. Other fallers included Harvey Nichols, down 8 to 192½p, Argos 12 lighter at 555½p, and Storehouse, which gave up 5¼ to 235¼p.

Dixons, which has fallen heavily in recent sessions on the same concerns, appeared to be back in favour yesterday as the shares put on 4 to 604p.

FT 30 INDEX

	Dec 18	Dec 17	Dec 16	Dec 15	Dec 12	Yr ago	*High	*Low
FT 30	3288.2	3285.9	3313	3272.2	3235.6	2780.8	3430.3	2668.8
Ord. div. yield	3.42	3.42	3.41	3.46	3.50	4.16	4.22	3.23
P/E ratio net	21.19	21.19	21.57	21.23	20.98	17.13	22.33	15.80
P/E ratio nil	20.90	20.90	21.28	20.94	20.70	16.96	22.02	15.71

FT 30 since compilation: high 3430.3 16/10/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9	10	11	12	13	14	15	16	High	Low
3285.9	3313.4	3293.7	3291.8	3294.9	3294.5	3291.5	3283.4	3287.1	3315.5	3277.8

	Dec 18	Dec 17	Dec 16	Dec 15	Dec 12	Yr ago
SEAQ bargains	46,987	53,234	53,234	49,128	43,350	34,322
Equity turnover (£m)†	-	NA	NA	NA	1603.1	1640.8
Equity bargains†	-	NA	NA	NA	32,609	22,013
Shares traded (ml)†	-	NA	NA	NA	481.7	485.1

†Excluding intra-market and overseas turnover but including Crest turnover.
 *For 1997.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	803	Total Highs	91	Total contracts	23,303
Total Falls	737	Total Lows	86	Calls	11,346
Same	1,705			Puts	11,957

Dec 18 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	5215.0	5178.0	-30.0	5236.0	5160.0	16083	23005
Mar	5270.0	5229.5	-30.0	5289.0	5211.0	14314	47840
Jun	-	5291.0	-30.0	-	-	0	25

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

Dec	4732.5	4732.5	-53.5	4732.5	4732.5	14	4678
Mar	-	4811.5	-53.5	-	-	0	5381

FTSE 100 INDEX OPTION (LIFFE) (5167) £10 per full index point

[illegible]

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

Calls 3,054 Puts 6,491 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§250	F.P.	70.8	267½	262	Autologic	[illegible]					
§140	F.P.	28.3	158½	148½	†BCO Techs	[illegible]					
-	F.P.	13.7	21½	16½	Boustead	[illegible]					
§200	F.P.	218.3	204½	184½	Bovis Homes	[illegible]					
§	F.P.	6.92	114	113½	Capital Opps Tst	[illegible]					
§-	F.P.	2.15	73	54	Comland Comm	[illegible]					
290	F.P.	399.0	273½	268½	Energis	[illegible]					
-	F.P.	-	£180	£168	Fleming Grd Units	[illegible]					
[illegible]											
-	F.P.	21.2	98½	92½	†Rapid Technology	94½	+2	-	-	-	-
§102	F.P.	23.2	102½	102½	†Razorback Vhcls	102½		-	-	-	-
§105	F.P.	35.5	114½	110½	SCS Upholstery	111½		L2.7	2.0	3.0	21.0
§-	F.P.	250.7	113	109½	Saatchi & Saatchi	113	+½	H1.2	3.0	1.3	30.6
§95	F.P.	5.58	114½	104½	†Savoy Asset Mngt	113½		W4.06	2.0	4.5	14.0
§250	F.P.	15.8	255	250	Seascope Ship	252½		R12.5	2.4	6.2	8.5
§	F.P.	165.2	103½	96½	Second Scot Nat	103½	+½	-	-	-	12.1
§	F.P.	100.1	101	99¾	Do Zero Div Prf	99¾		-	-	-	-
§230	F.P.	51.3	238½	230	Sytner	234		R6.9	3.0	3.7	10.9
§160	F.P.	44.2	176	150	Tessa	175½		L0.8	6.9	0.6	29.4
-	F.P.	-	50	40½	Vanguard Md Wts	43½	+1	-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Dec 17	% chg on day	Dec 16	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (29)	1030.03	+8.1	953.16	1834.87	2.69	-	1907.48	903.02
Regional Indices								
Africa (15)	1033.71	+7.5	961.85	2091.20	6.79	18.35	2333.56	921.78
Australasia (6)	982.32	+5.2	933.63	2071.16	3.71	12.75	2217.60	933.63
North America (12)	1048.12	+8.6	964.89	1734.08	1.23	38.97	1780.66	894.94

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. CONSTITUENT CHANGE 17/12/97: Name change: Haw Par Bros. to Haw Par Corporation (Singapore). Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Dec 18	Day's chge%	Dec 17	Dec 16	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5168.3	-0.4	5190.8	5203.4	4051.3	3.15	2.60	2.07	19.17	142.06	2229.83
FTSE 250	4735.8	-0.4	4756.3	4757.0	4406.8	3.55	2.94	1.81	19.46	148.19	2004.63
FTSE 250 ex IT	4766.7	-0.4	4786.7	4790.6	4452.6	3.67	3.04	1.85	18.38	154.26	2024.82
FTSE 350	2477.4	-0.4	2488.2	2493.1	2009.4	3.22	2.66	2.02	19.22	69.90	2184.23
FTSE 350 ex IT	2481.4	-0.4	2492.2	2497.6	-	3.24	2.68	2.03	19.01	37.94	1122.07
FTSE 350 Higher Yield	2476.7	-0.6	2491.8	2493.1	1924.4	4.14	3.45	1.84	16.40	87.41	1858.67
FTSE 350 Lower Yield	2492.5	-0.3	2499.6	2507.8	2101.9	2.43	1.99	2.26	22.56	53.10	1791.56
FTSE SmallCap	2301.58	—	2300.46	2298.81	2146.79	3.21	2.60	1.56	24.95	64.37	1977.89
FTSE SmallCap ex IT	2299.69	+0.1	2297.87	2298.98	2152.29	3.43	2.77	1.62	22.51	69.33	1995.00
FTSE All-Share	2417.28	-0.4	2427.06	2431.52	1979.85	3.22	2.66	1.99	19.50	68.15	2183.06
FTSE All-Share ex IT	2423.25	-0.4	2433.11	2438.23	-	3.25	2.68	2.01	19.17	37.38	1115.48

FTSE Actuaries Industry Sectors

	Dec 18	Day's chge%	Dec 17	Dec 16	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(23)	4559.91	-1.0	4603.95	4612.07	3872.14	3.43	2.81	1.81	20.14	140.89	2064.30
12 Extractive Industries(5)	2989.34	+0.3	2979.64	2965.58	4019.24	4.71	4.17	1.88	14.08	139.64	921.39
15 Oil, Integrated(3)	5041.45	-1.1	5098.98	5103.18	3990.48	3.45	2.79	1.77	20.45	154.87	2348.88
16 Oil Exploration & Prod(12)	3578.44	-0.9	3611.10	3679.69	3136.24	1.60	1.32	2.32	33.58	52.82	2201.09
20 GEN INDUSTRIALS(264)	1994.16	+0.1	1993.04	1994.62	1976.36	3.91	3.32	1.98	16.12	69.66	1155.21
21 Building & Construction(35)	1280.25	-0.3	1283.60	1276.67	1182.69	3.63	2.92	2.35	14.67	42.45	1127.73
[illegible]											

Hourly movements

[illegible]

† Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

TRADING VOLUME

Major Stocks Yesterday

[illegible]

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY DECEMBER 17 1997 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY DECEMBER 16 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (74)	198.13	3.6	178.44	159.43	182.50	200.15	2.4	3.79	191.22	173.58	158.16	177.42	195.56	243.87	190.41	211.32
Austria (23)	186.72	1.2	168.17	150.25	171.98	171.86	0.5	1.93	184.41	167.37	152.52	171.09	170.96	213.59	175.14	187.30
Belgium (27)	260.11	1.5	234.27	209.31	239.60	234.45	0.7	2.94	256.27	232.60	211.98	237.77	232.74	261.11	222.18	222.18
Brazil (30)	228.96	0.7	206.23	184.25	210.92	469.53	0.8	1.89	227.51	206.49	188.17	211.06	465.96	322.44	182.89	182.89
Canada (122)	211.93	0.7	190.88	170.54	195.22	218.20	0.6	1.81	210.48	191.04	174.08	195.28	216.94	233.86	178.27	182.59
Denmark (32)	441.85	1.0	397.96	355.55	407.00	405.75	0.3	1.26	437.35	396.95	361.72	405.76	404.60	441.85	335.44	336.03
Finland (26)	281.09	3.5	253.17	226.19	258.92	315.39	2.7	1.99	271.67	246.58	224.70	252.05	307.01	349.43	232.86	232.86
France (84)	234.25	0.2	210.98	188.50	215.78	217.99	-0.6	2.45	233.79	212.20	193.37	216.91	219.19	246.23	203.73	203.73
Germany (58)	229.09	2.5	206.34	184.35	211.03	211.03	1.8	1.39	223.47	202.83	184.83	207.34	207.34	243.87	183.03	184.99
Hong Kong, China (66)	351.49	2.4	316.57	282.83	323.77	349.68	2.4	4.57	343.11	311.42	283.78	318.33	341.37	680.03	314.78	488.39
Indonesia (27)	60.28	4.7	54.29	48.50	55.52	205.05	3.6	3.28	57.59	52.27	47.63	53.43	197.83	254.90	62.01	222.21
Ireland (16)	395.22	-0.3	355.96	318.02	364.05	381.74	-1.0	2.59	396.33	359.72	327.80	367.71	385.44	409.57	311.74	312.78
Italy (53)	114.85	0.8	103.44	92.42	105.79	149.07	0.2	1.64	113.92	103.40	94.22	105.69	148.84	115.27	80.86	80.86
Japan (482)	101.29	5.3	91.23	81.51	93.31	81.51	2.5	0.97	96.20	87.31	79.56	89.25	79.56	141.12	95.69	135.31
Malaysia (107)	161.72	2.9	145.66	130.13	148.96	238.99	1.2	3.07	157.13	142.62	129.96	145.79	234.07	660.85	157.13	582.02
Mexico (27)	1747.59	0.6	1574.00	1406.26	1609.76	15447.24	0.5	1.58	1736.88	1576.45	1436.55	1611.45	15365.84	1901.98	1176.81	1176.81
Netherlands (19)	418.66	1.7	377.08	336.89	385.64	381.55	1.0	2.20	411.58	373.56	340.41	381.86	377.82	440.67	316.86	316.86
New Zealand (14)	76.56	-1.0	68.95	61.60	70.52	69.46	-1.8	4.45	77.34	70.20	63.97	71.76	70.70	98.47	75.37	92.21
Norway (38)	320.40	0.4	288.57	257.82	295.13	314.56	-0.7	1.94	319.23	289.74	264.03	296.17	316.74	374.64	277.33	277.82
Philippines (22)	75.79	1.1	68.26	60.98	69.81	150.13	-0.1	1.40	74.95	68.03	61.99	69.54	150.35	214.07	74.95	197.40
Singapore (42)	227.45	3.6	204.86	183.02	209.51	176.35	2.3	1.81	219.46	199.19	181.51	203.61	172.38	448.01	215.21	412.89
South Africa (43)	267.04	2.8	240.52	214.88	245.98	283.57	2.3	3.03	259.73	235.74	214.82	240.97	277.29	370.12	251.92	301.49
Spain (33)	276.06	0.6	248.64	222.14	254.29	313.59	-0.1	2.15	274.30	248.96	226.87	254.49	313.97	277.33	202.72	202.72
Sweden (49)	481.84	1.3	433.98	387.73	443.84	652.27	0.6	1.88	475.83	431.88	393.55	441.47	549.00	538.94	402.43	402.43
Switzerland (31)	337.11	0.9	303.62	271.26	310.52	300.12	0.5	1.12	333.93	303.09	276.19	309.82	298.78	337.11	231.69	237.30
Thailand (39)	20.83	5.4	18.76	16.76	19.19	38.00	3.2	7.57	18.77	17.04	15.35	18.34	36.82	107.09	19.61	107.09
United Kingdom (213)	334.78	0.6	301.52	269.38	308.37	301.52	-0.2	3.27	332.95	302.20	275.38	308.91	302.20	337.99	267.84	267.64
USA (641)	393.49	-0.2	354.40	316.63	362.45	393.49	-0.2	1.57	394.35	357.93	326.16	365.87	394.35	401.22	295.42	295.42
Americas (820)	357.38	-0.2	321.88	287.58	329.20	301.56	-0.2	1.59	357.97	324.90	296.07	332.12	302.07	365.76	270.00	270.00
Europe (704)	289.69	1.0	260.91	233.10	266.84	271.72	0.3	2.36	286.79	260.30	237.20	266.08	270.95	296.25	229.05	229.05
Nordic (147)	418.47	1.4	376.90	336.73	385.46	418.83	0.7	1.80	412.51	374.41	341.18	382.72	415.95	464.93	345.30	345.30
Pacific Basin (873)	110.71	4.8	99.72	89.09	101.98	90.51	2.4	1.62	105.68	95.92	87.41	98.05	88.41	158.99	105.68	152.84
Euro-Pacific (1577)	185.37	2.3	166.95	149.16	170.75	158.60	1.0	2.10	181.22	164.48	149.89	168.13	157.03	209.12	173.55	184.50
North America (763)	381.94	-0.2	344.00	307.34	351.81	381.68	-0.2	1.59	382.52	347.28	316.46	354.99	382.38	389.57	288.60	288.60
Europe Ex. UK (491)	259.15	1.3	233.41	208.53	238.71	248.97	0.6	1.83	255.89	232.25	211.64	237.41	247.52	267.07	203.64	203.64
Pacific Ex. Japan (391)	197.92	2.9	178.26	159.26	182.31	198.48	2.1	3.94	192.39	174.62	159.12	178.50	194.33	320.65	192.39	304.76
World Ex. US (1799)	189.03	2.2	170.25	152.11	174.12	165.15	1.0	2.09	185.00	167.91	153.01	171.64	163.53	212.89	178.94	186.20
World Ex. UK (2227)	247.29	1.0	222.72	198.99	227.79	224.01	0.4	1.65	244.85	222.23	202.51	227.17	223.03	262.69	211.16	216.05
World Ex. Japan (1958)	331.66	0.4	298.71	266.86	305.50	324.74	0.1	1.95	330.45	299.93	273.31	306.59	324.45	344.35	265.25	265.25
The World Index (2440)	254.70	0.9	229.40	204.96	234.62	231.02	0.4	1.83	252.31	229.01	208.69	234.09	230.17	269.47	216.61	220.46

 CONSTITUENT CHANGE 17/12/97: Name change: Haw Par Bros. to Haw Par Corporation (Singapore). Latest prices were unavailable for this edition.

4 pm close December 18

NEW YORK STOCK EXCHANGE PRICES

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A -								
40	24¾	AAR	0.48	1.2	29	903	39	38½	38½	-⅜
58¾	33⅛	AMP	1.04	2.5	30	4965	41	40¾	40	-1½
132	78¾	AMR			10	5224	130	127¾	127	-2
37⅞	19	ASA	1.20	5.7	13	1698	22	20	21⅛	
69¼	49¾	AbbtL	1.08	1.7	24	13256	66	64	65¼	-2
20½	12½	Abitibi	0.40	3.1	6	832	13½	12	13	
30	17⅝	ABM Ind	0.48	1.8	23	211	29	28	28	+
28⅝	17¾	Acpltcash			11	16	25	24	24	
101	56⅜	ACE Ltd x	0.96	1.0	11	1002	94	92	93	+1½
11¼	10	ACM Gvt In x	0.90	8.2	12	297	11	10	10	
8¼	7	ACM OpOpp x	0.63	7.8		277	8	8	8	
10½	9¼	ACM Mgn x	0.90	9.1		175	10	9	9	
[illegible]										
		- B -								
[illegible]										
		- C -								
[illegible]										
		- D -								
[illegible]										
		- E -								
[illegible]										
		- F -								
[illegible]										
		- G -								
[illegible]										
		- H -								
[illegible]										
		- I -								
[illegible]										
		- J -								
[illegible]										
		- K -								
[illegible]										
		- L -								
[illegible]										
		- M -								
[illegible]										
		- N -								
[illegible]										
		- O -								
[illegible]										
		- P - Q -								
[illegible]										
		- R -								
[illegible]										
		- S -								
[illegible]										
		- T -								
[illegible]										
		- U -								
[illegible]										
		- V -								
[illegible]										
		- W -								
[illegible]										
		- X - Y - Z -								
57	51½	Xerox x	1.28	1.8	17	25940	71	69¼	69	-1¼
58¼	40½	Xtra Corp	0.80	1.5	19	393	52¾	52	52	+¼
25	20¾	Yankee Egy x	1.34	5.4	15	103	25	24⅞	24	
50	37⅝	York Inr	0.48	1.1	15	2321	42½	42	42¼	
8¼	4	Zapata	0.28	4.1	57	89	6	6¾	6	
13⅛	6	ZenithEl				1491	6	6½	6½	
28¾	24⅝	Zenith Nat	1.00	3.9	15	11	25	25⅝	25	+
9	7⅛	Zenix Inc x	0.76	8.3		110	8	8	8	
30¾	17¾	Zero	0.12	0.4	20	32	29½	29	29	+½
14	10½	ZweigFd ♣	1.32	9.9		208	13	13	13	
9⅝	8	Zweig Tot x	0.84	8.9		494	9½	9	9½	

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.
d-new yearly low. P/E price-earnings ratio. s-split. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
¶ Dealings suspended.

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Dec 17	Dec 16	Dec 15	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7957.41	7976.31	7922.59	8259.31 (6/8)	6391.69 (11/4)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	105.02	105.12	105.11	105.12 (16/12)	101.09 (14/4)	105.12 (16/12/97)	54.99 (1/10/81)
Transport	3235.19	3255.42	3272.40	3369.27 (15/10)	2222.07 (2/1)	3369.27 (15/10/97)	13.23 (8/7/32)
Utilities	265.88	264.04	263.65	265.88 (17/12)	208.47 (25/4)	265.88 (17/12/97)	10.50 (8/7/32)

DJ Ind. Day's high 8068.81 (8088.06) Low 7879.09 (7889.52) (Theoretical♣)
Day's high 8034.00 (8019.82) Low 7932.04 (7924.33) (Actual♣)

Standard and Poors	Dec 17	Dec 16	Dec 15	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	965.54	968.04	963.39	983.79 (5/12)	737.01 (2/1)	983.79 (5/12/97)	4.40 (1/6/32)
Industrials¶	1115.43	1119.85	1112.23	1146.82 (7/10)	865.42 (11/4)	1146.82 (12/12/97)	3.52 (30/6/32)
Financial¶	119.13	118.89	119.25	120.83 (8/12)	80.75 (2/1)	120.83 (8/12/97)	7.13 (4/6/74)
Others							
NYSE Comp.	508.59	508.75	504.12	514.31 (5/12)	389.47 (11/4)	514.31 (5/12/97)	4.64 (25/4/42)
Amex Comp	671.28	668.88	665.27	721.90 (7/10)	541.20 (28/4)	721.90 (7/10/97)	524.29 (16/7/98)
NASDAQ Cmp	1547.37	1553.00	1536.56	1745.85 (9/10)	1201.00 (2/4)	1745.85 (9/10/97)	54.87 (3/10/74)
Russell 2000	426.44	425.34	420.78	465.21 (13/10)	335.85 (25/4)	465.21 (13/10/97)	123.36 (7/12/93)

■ RATIOS

	Dec 12	Dec 5	Nov 28	Year ago
Dow Jones Ind. Div. Yield	1.74	1.68	1.74	2.09
	Dec 10	Dec 3	Nov 26	Year ago
S & P Ind. Div. yield	1.48	1.46	1.50	1.87
S & P Ind. P/E ratio	26.09	26.33	25.78	22.74

US DATA

■ MARKET ACTIVITY

● Volume (million)

	Dec 17	Dec 16	Dec 15
NYSE	619.900	636.300	602.132
Amex	28.995	29.881	32.585
NASDAQ	789.244	794.621	801.296

NYSE	Dec 17	Dec 16	Dec 15
Issues Traded	3,440	3,453	3,433
Rises	1,645	1,734	1,592
Falls	1,298	1,220	1,371
Unchanged	497	499	470
New Highs	202	214	170
New Lows	68	95	113

■ NYSE TRADING ACTIVITY — Volume : 618,900,000

■ ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Compaq	8,069,900	55¼	-1⅝
AT&T	6,814,300	57⅞	+1
Dollar Tr	5,901,000	21⅛	+1⅛
Motorola	5,136,000	54⅛	-2⅛
Hilton Hts	4,361,600	20½	-1¼
Nextlevel	4,133,400	17⅞	+2⅞
Grgia-Pacific	3,739,700	24⅝	-⅛
IBM	3,609,500	102	-1⅛
CUC Intl	3,407,300	32¼	+¾
First Data	3,359,500	28¾	-¼

■ BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Estl Engy	18¾	+3	+19.6
Nextlevel	17½	+2½	+16.7
Showboat	21⅛	+2⅛	+14.1
Computer Tsk	33¾	+3¼	+10.4
Downs			
Fair Isaac	31¾	-8⅛	-21.4
Cooper Inds	14¾	-2⅛	-13.8
Magnetic Mag	85	-8¾	-9.4
CNF Trans	39	-3¾	-8.5

■ NASDAQ TRADING ACTIVITY — Volume :789,244,000

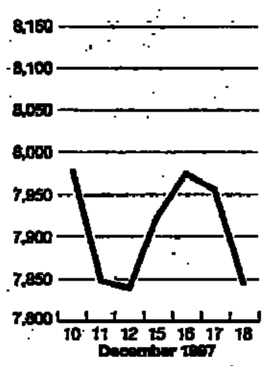
■ ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Intel	19,241,400	80½	-1⅝
Cisco Sys	16,700,600	54⅛	+⅞
Oracle	13,117,100	22¾	-⅜
Danka Bus	12,767,900	14⅞	+1⅝
Appld Matl	12,650,000	28	-1
Centocor	12,418,100	31½	-6¾
Sun Microsys	10,301,600	37⅞	+1
US Office	7,898,400	17	+1¼
Dell Computer	7,352,000	84¾	-2¼
Three Com	7,102,300	34¼	-¼

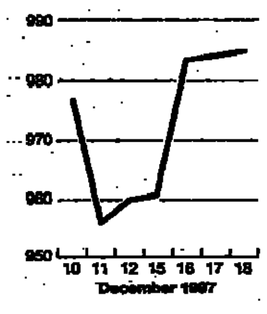
■ BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Cincinnati Fn	139⅞	+25	+21.8
Pressteck	32¾	+5½	+20.2
Littelfuse	23¼	+3⅞	+20
Pharmacyclics	24¼	+3¼	+15.5
Downs			
Big Dog Hldg	7	-2¼	-28.3
WS Cnt Tms	21¾	-5⅞	-21.8
Centocor	31½	-6¾	-18.5
Heartport	19¼	-3¾	-16.6

Dow Jones



FTSE Eurotop 300



JAPAN

	Dec 18	Dec 17	Dec 16	1997 High	1997 Low	Since compilation High	Since compilation Low
Nikkei 225	16161.64	16541.06	15985.21	20681.07	15082.52	38915.9	85.25

■ TOKYO TRADING ACTIVITY — Volume : 453,000,000

■ ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Toshoku	25,011,000	33	-19
Yamaichi Scs	18,898,000	1	
Daiwa Secs	7,745,000	435	+3
Sakura Bk	7,701,000	490	-8
Nomura Secs	7,678,000	1750	
Nppn Steel	6,685,000	193	-11
Tokyo Steel	5,998,000	1350	+60
Yaohan Jpn	5,928,000	1	-1
NKK Corp	5,309,000	110	-12
Itochu	4,617,000	230	-19

■ BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Sanko Eng	135	+25	+22.7
Sumitomo Mil	500	+80	+19
Sanshiji El	265	+35	+15.2
Daito seiki	240	+30	+14.3
Downs			
Toshoku	33	-19	-36.5
San-Al Oil	206	-63	-23.4
Asahi Tec	205	-55	-21.2
Kyoda Shiryo	100	-25	-20

FRANCE

	Dec 18	Dec 17	Dec 16	1997 High	1997 Low	Since compilation High	Since compilation Low
CAC 40	2894.50	2893.25	2912.18	3094.01	2256.97	3094.01	584.61

■ PARIS TRADING ACTIVITY — Volume : 377,442,640

■ ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Bertr Faure	1,987,034	421.9	+36.5
Ass Gen Fr	1,982,962	316.9	-0.2
Fr Telecom	1,449,842	215.3	+1.3
Paribas A	1,217,824	505	+5
Gr Gom Fr	1,040,350	417.9	-0.1
Renault	1,033,458	172.3	+4
Rh-Poul A	846,676	262.7	+3.7
EuroDisney	718,887	7	-0.1
Axa-UAP	697,331	465.9	-0.6
Schneider	694,515	313	+8

■ BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Moulinex	61.2	+7.7	+14.4
Gr Bat Ly	158	+16.5	+11.6
Artois	3528	+328	+10.3
Solo	232	+21.5	+10.2
Downs			
IDI	429.8	-70.2	-14.0
MB Elect	513	-83	-13.9
Arbel (Etab)	34.5	-3.7	-9.7
Elyo	306	-16	-5.0

GERMANY

	Dec 18	Dec 17	Dec 16	1997 High	1997 Low	Since compilation High	Since compilation Low
DAX	4166.24	4158.68	4083.97	4438.93	2848.77	4438.93	931.18

■ FRANKFURT TRADING ACTIVITY — Volume : 11,934,921

■ ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Commzbk	1,331,640	71.5	+1.4
D Telekom	1,289,327	31.95	-1.05
Dresdnr Bk	755,625	82.7	-1.3
Deutsche Bk	700,714	125.8	+1.05
Siemens	588,065	103.5	+1.1
Bayer	515,503	62.35	-0.85
BASF	398,880	62.55	
Veba	369,093	118	+0.5
Metro	344,870	70.45	-5.75
Lufthansa	302,682	33.5	-0.9

■ BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Zand Fahrp	140	+10	+7.7
Brau und Br	172	+9	+5.5
Gehe	99	+4.9	+5.2
Linde	1100	+45	+4.3
Downs			
Metro	70.45	-5.75	-7.5
Ahlers (A)	430	-20	-4.4
Haldi Jan	131.1	-5.9	-4.3
Vew B	580	-22	-3.6

UK

	Dec 18	Dec 17	Dec 16	1997 High	1997 Low	Since compilation High	Since compilation Low
FTSE 100	5168.3	5180.8	5203.4	5330.80	4056.60	5330.8	986.9

■ LONDON TRADING ACTIVITY — Volume : 1,040,900,000

■ ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
BT	19,098,720	467	-18
Lloyds TSB	18,445,030	771½	-17½
Taylor Nlsn	15,949,540	78	+¼
BTR	15,892,660	181	
Tomkins	15,533,910	298½	+½
SmKl Bchm	15,018,140	639	-1
Shell T&T	14,948,370	445	-10
Ryl Bk Scot	14,003,340	769	-3
Vodafone	13,738,820	430	
ASDA	13,598,330	178	+7½

■ BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Country Cas	122½	+31	+33.9
Abacus Recz	251½	+41½	+19.8
Harstone	9¼	+1¼	+14.7
Network Tech	122	+14½	+13.5
Downs			
Ferguson Int	94	-36	-27.7
TransTec	67½	-19	-22.0
Waverley Mng	13½	-2	-12.9
Jones Stroud	315	-43½	-12.1

INDEX FUTURES

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	965.00	962.20	-2.40	965.30	962.90	50,381	138,612
Mar	975.40	972.30	-3.10	976.60	972.00	140,478	309,205
■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	16400.0	1609900	-430.0	16460.0	16090.0	22,223	166,644
Jun	16350.0	16080.0	-470.0	16350.0	16060.0	5	30,298

■ CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Dec	2912.0	2899.0	-2.0	2925.0	2895.0	10,986	37,085
Jan	2919.0	2908.0	-2.0	2928.5	2903.5	2,978	12,616
■ DAX							
Dec	4170.0	4167.0	+14.0	4188.0	4138.0	29,603	33,923
Mar	4206.0	4200.5	+14.5	4225.0	4177.0	21,436	38,592

■ OMX	Open	Sett Price	Change	High	Low	Est vol	Open int.
Dec	2410.00	2390.25	-25.75	2418.00	2385.00	6,586	18,163
Jan	2418.50	2396.75	-27.25	2424.50	2391.50	4,268	9,852
■ SOFFEX							
Dec	6119.0	6103.0	-9.0	6139.0	6097.0	6,605	12,248
Jan	6129.0	6110.0	-5.1	6147.0	6102.5	4,266	12,774

Open interest figures for previous day.

WORLD MARKETS AT A GLANCE

Country	Index	Dec 18	Dec 17	Dec 16	1997 High	1997 Low	♣ Yield	♣ P/E
Argentina	General	22237.76	22297.27	22203.46	25771.70 22/10	18237.37 2/1	3.31	18.7
Australia	All Ordinaries	2583.1	2582.1	2514.1	2779.20 25/9	2299.20 28/10	3.58	18.5
	All Mining	580.4	571.9	546.0	987.30 24/2	541.19 27/11		
BHP in volatile options expiry-related trade. Golds sector bounced 4.7 per cent on firmer bullion.								
Austria	Credit Aktien	440.84	443.40	440.62	474.42 2/10	374.49 9/1	1.99	14
	Traded Index	1266.16	1265.17	1260.12	1480.49 31/7	1130.22 9/1		
Very low volumes seen as dealers eased back ahead of the Christmas holiday. Hosiery maker Wolford rebounded 4 per cent.								
Belgium	BEL20	2487.67	2495.79	2475.99	2621.98 28/7	1971.65 2/1	2.26	16.7
Shares closed down after a volatile day, caused by investors switching ahead of a reshuffle of the Bel20 index next week.								
Brazil	Bovespa	9550.0	9654.0	9743.0	13617.00 8/7	6995.59 2/1	0.61	na
♣Shares sagged on profit taking and a weaker Wall Street.								
Canada	TSE 100◆	401.94	402.86	399.89	430.48 7/10	342.12 11/4	1.87	19.7
	Metals Mins◆	3766.57	3780.95	3660.47	5661.76 10/3	3660.47 16/12		
	Composite◆	6615.50	6625.50	6567.40	7209.90 7/10	5679.30 14/4		
	Portfolio§§	3359.68	3376.82	3356.45	3647.89 7/10	2946.02 11/4		
♣Shares lost ground, tracking Wall Street, after opening higher on the back of further gains in gold stocks.								
Chile	IGPA Gen¶	4774.65	4797.16	4795.74	5686.71 4/7	4774.65 18/12	3.72	15.4
China	Shanghai B	54.98	55.00	54.89	98.21 7/5	54.31 1/12	1.2	71.2
	Shenzhen B	96.87	96.72	96.99	184.29 6/5	94.93 2/12		
Market leader Zhejiang Power's 1.9 per cent rise was not enough to hold the index in positive territory.								
Colombia	IBB	1420.84	1431.43	1422.15	1533.72 16/10	844.41 2/1	na	na
Czech Republic	PX 50	486.1	482.9	477.3	629.09 25/2	469.59 1/12	na	na
Shares pulled higher by gains in blue-chip leaders, Komercni Bank, SPT Telecom and electricity utility, CEZ.								
Denmark	CopenhagenSE	656.59	665.16	656.75	665.16 17/12	476.14 2/1	1.3	20.9
Investors suddenly lost interest in banking stocks after a week of speculative gains.								
Egypt	Cairo SE Gen	349.18	349.04	350.83	- -	- -	na	na
Shares fell slightly in generally quiet trade. Analysts said the market was likely to consolidate ahead of the New Year.								
Finland	HEX General	3246.38	3265.38	3198.63	3690.81 22/10	2483.28 2/1	2.49	13.4
Nokia ended FM13.50 lower at FM375.50, reversing most of Wednesday's gains.								
France	SBF 250	1876.22	1875.64	1884.98	2003.43 31/7	1533.19 2/1	2.48	17.5
	CAC 40	2894.50	2893.25	2912.18	3094.01 3/10	2256.97 2/1		
Market ticked over in thin trade. Big bounce for motor manufacturer PSA on reorganisation hopes.								
Germany	FAZ Aktien	1388.47	1383.20	1398.85	1461.44 31/7	988.21 2/1	1.46	19.9
	Commerzbank	3893.40	3892.80	3921.80	4336.79 31/7	2875.90 2/1		
	DAX‡	4166.24	4158.68	4083.97	4438.93 31/7	2848.77 2/1		
Shares dented as Germany's biggest retailer, Metro, issued a profit warning because of poor Christmas trading.								
Greece	Athens SE	1502.14	1514.65	1515.19	1794.14 8/10	954.54 2/1	2.69	16.1
Broad based decline for shares, with brokers expecting sluggish trading through the Christmas period.								
Hong Kong	Hang Seng	10754.11	10692.70	10846.38	16673.27 7/8	9059.89 28/10	3.73	10.3
	HSCC Red Chip	1835.97	1841.26	1782.85	4110.55 27/8	1685.38 28/10		
Turnover fell to an eight-month low with business thinning as Christmas approaches.								
Hungary	Bux	7612.73	7616.87	7377.02	8463.80 6/8	4291.30 6/1	na	na
Shares ended almost unchanged in quiet trade. Recently listed axle maker, Raba, ended 10 per cent higher.								
India	BSE Sens.	3472.35	3487.02	3424.87	4548.02 5/8	3225.24 2/1		
	Crisil 500	637.83	639.40	629.12	843.28 5/8	615.29 12/12	na	na
Blue-chip stocks hit by a sudden rush of local selling towards the close. Foreign funds seen buying selectively.								
Indonesia	Jakarta Comp.	378.39	368.68	358.38	740.83 8/7	339.53 15/12	3.35	10.1
Sentiment boosted by the president's public appearance after 2 weeks of rest on medical advice.								
Ireland	ISEQ Overall	3921.89	3922.32	3952.65	4093.79 9/12	2725.67 2/1	2.23	19.1
Drug company Elan lost ground for the third successive session on concerns about its purchase of Sano Corp of the US.								
Israel	Mishtanim 100	282.47	284.25	284.09	311.76 6/8	214.18 2/1	na	na
Shares hit by an absence of foreign buyers and expectations that interest rates will be kept high into the New Year.								
Italy	BCI Comit 30	241.16	241.02	241.07	242.86 28/9	155.74 2/1	1.87	20.8
	Banca Com Ital	1015.62	1017.07	1000.7	1017.07 17/12	660.42 2/1		
	Milan General	16206.0	16175.0	16161.0	16289.00 18/12	10488.00 2/1		
Trading activity was dominated by banks with IMI and San Paolo di Torino lower as hopes of a merger cooled.								
Japan	Nikkei 225	16161.64	16541.06	15985.21	20681.07 16/6	15082.52 14/11	0.96	40.8
	Nikkei 300	243.54	246.43	240.36	303.71 28/7	229.77 14/11		
	Topix	1212.93	1227.95	1189.42	1560.28 26/6	1177.52 14/11		
	2nd Section	1232.47	1232.54	1226.96	1848.25 30/6	1226.96 16/12		
Two thirds of Wednesday's gains were eroded as investors decided that the surprise tax cuts would have limited effect.								
Jordan	Amman SE	(c)	169.72	169.59	- -	- -	na	na
Malaysia	KLSE Comp.	577.58	558.79	544.31	1271.57 25/2	526.12 26/11	3.3	9.1
Telekom and Tenaga accounted for nearly two thirds of the index's gains as investors chased selective blue-chips.								
Mexico	IPC	5105.97	5112.04	5087.31	5368.49 21/10	3358.46 2/1	1.19	14.8
♣Stocks drifted lower at the start, tracking losses in Brazil and Wall Street.								
Morocco	CASA	666.54	667.16	666.77	669.75 23/4	491.90 3/1	na	na
Netherlands	CBS TtlRtnGen	1071.0	1083.2	1073.4	1184.60 7/8	730.80 2/1	2.14	21.4
	CBS All Shr	614.0	621.0	615.3	684.40 7/8	429.90 2/1		
Philips rose strongly for the third successive day following a recommendation from Morgan Stanley.								
New Zealand	Cap. 40	2318.51	2297.76	2332.36	2635.48 22/10	2182.01 28/10	3.98	18.4
Stocks rebounded as interest rate and the local dollar rallied after the selloff earlier in the week.								
Nigeria	SE All-Share	(u)	6376.47	6366.59	- -	- -	na	na
Shares drifted lower in thin trade. Nigerian Breweries fell in spite of a perception that Christmas trade was going well.								
Norway	Oslo SE Ind	2054.19	2058.20	2068.50	2287.56 22/10	1639.03 2/1	1.95	14.3
Shares closed at their lowest level since November 26, hit by weakness in Norsk Hydro.								
Pakistan	Karachi SE	1704.24	1681.56	(c)	2067.98 22/10	1341.31 7/1	na	na
Settlement day position-squaring restricted the gains, dealers said.								
Peru	Lima Gen	1735.45	1743.89	1754.11	2268.40 10/7	1429.78 2/1	na	na
Philippines	Manila Comp	1846.09	1796.90	1801.38	3447.80 3/2	1740.18 28/10	1.41	10.9
Rebounding peso encouraged investors back into equities. Property sector surged 7.1 per cent.								
Poland	WIG	14081.9	14311.3	14442.2	18339.40 18/2	14081.90 12/12	1.75	10.8
Shares fell for a second successive day. Sentiment was hit by the continuing absence of foreign buyers from the market.								
Portugal	BVL 30	3700.19	3588.37	3583.98	3700.19 18/12	2165.57 2/1	1.57	27.1
	PSI 20	8609.41	8581.63	8599.80	8609.41 18/12	8182.34 2/1		
Russia	RTS	379.86	383.60	373.91	571.66 6/10	213.39 6/1	na	na
News that President Yeltsin is returning to work on Friday failed to breathe life into a moribund market.								
Singapore	SES All-S'pore	425.12	418.68	414.48	573.03 17/2	380.78 28/10	2.16	14
	Straits Times	1591.41	1569.51	1561.75	2271.66 20/1	1487.03 28/10		
Property sector jumped 4.5 per cent on talk the government would relax rules on deposits for private property purchases.								
Slovakia	SAX	165.82	169.05	166.99	208.64 21/3	164.81 22/7	na	na
Losses in Slovnaft, the most heavily capitalised share on the market, led the index lower. Volumes were very thin.								
South Africa	JSE Gold	760.6¶	739.2	(c)	1588.18 27/2	670.10 5/12	3.21	12.3
	JSE Indl.	7419.0¶	7448.7	(c)	9314.20 7/8	7137.90 11/12		
Sellers in evidence ahead of today's options expiry. Gold stocks continued to post gains, extending Wednesday's rally.								
South Korea	KoreaCmpEx**	(c)	418.49	404.26	792.29 17/6	350.68 12/12	2.92	11.2
Public holiday for the presidential elections.								
Spain	Madrid SE	629.04	629.93	630.64	640.20 1/10	434.54 2/1	2.29	21.5
Telefonica lower after a Morgan Stanley downgrade.								
Sri Lanka	CSE All Share	688.70	690.60	692.70	809.70 31/7	606.70 2/1	na	na
Shares drifted lower as retail investors began to thin out ahead of Christmas and New Year holidays.								
Sweden	AffarsvarldsGen	2987.7	3011.6	2968.9	3318.99 7/8	2378.50 2/1	1.84	21.5
Clothes retailer Hennes & Mauritz, which makes half its profits in Germany, fell on German retailing worries.								
Switzerland	SMI Index	6115.1	6122.1	6092.7	6122.10 17/12	3922.90 7/1	1.07	23.3
	SPI General	3808.68	3808.05	3789.10	3808.68 18/12	2506.22 6/1		
Closed mixed after a directionless session, which saw demand for selected blue-chips offset by a weak start in New York.								
Taiwan	WeightedPr.**	8255.06	8347.20	8193.65	10116.84 26/8	6844.75 6/1	1.01	25.7
Central bank and finance ministry denials of a report the president had urged new liberalisations sparked confusion.								
Thailand	Bangkok SET	387.38	376.16	370.28	858.97 22/1	367.73 15/12	7.54	8.7
Investors chased shares higher with the rebounding baht and on hopes of a narrowing current account deficit.								
Turkey	IMKB Nat 100	3058.00	3007.00	2953.00	3543.80 23/10	985.00 2/1	2.01	16.4
Shares gained ground as investors turned positive about Turkey's IMF talks and there were signs of foreign funds buying.								
Venezuela	IBC	8532.09	8318.12†	8417.75	10617.13 17/10	6081.99 12/3	na	na
Zimbabwe	ZSE Industrial	(u)	6642.44	6657.49	12081.95 5/8	6642.44 17/12	na	na
Bargain hunters helped the market trim losses but sentiment overall remained bearish, according to analysts.								
WORLD	FT/S&P World(S)	(u)	254.70	252.31	268.47 7/10	216.61 14/4	na	na
	MS Capital IntS	942.5/p	931.4	931.4	981.80 31/7	794.50 14/4	na	na
CROSS-BORDER	Eurotrack 100	2670.74	2684.95	2641.91	2794.80 7/8	1903.90 2/1	na	na
	FTSE E100	2280.12	2283.80	2273.53	2365.95 7/8	1582.98 2/1	na	na
	HSBC JC Drgn	(u)	250.29	243.06	434.83 6/8	239.56 28/10	na	na
	ING Bngs Emrg	142.83	141.78	139.29	186.81 9/7	138.45 12/12	na	na

** Sat Dec 18: Taiwan Weighted Price 6843.66; Korea Comp Ex 359.82. §§ Montreal. ◆ Toronto. (c) Closed. (u) Unavailable. ‡ Xetra/DAX after-hours index: Dec 18 - 4162.92 +8.35. † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation. ♣ Yields and P/E ratios are based on Datastream Total Market Indices. ♣ Midsession.

NASDAQ NATIONAL MARKET

4 pm close December 18

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

AMEX PRICES

4 pm close December 18

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members.

Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$2.75		100	8.25	2.375
Algol	ITL13350		0	13350	12450
Artwork Systems	US$7.5		14810	11.125	5.875
Champagne	FFr12		8885	18	10
City Bird Holding	US$7.8125	-0.125	8400	8.25	6.8125
Debonair Holdings	GBP3.45		0	7.15	2.85
Dr Solomon's *	US$31.5	-1.875	1000	36.125	16.875
EDAP TMS *	US$7.25		0	9.125	6.5
ESAT Telecom *	US$14.3125	+0.0625	0	15.25	13.25
Espace Prod. Int.	FFr91	-0.05	500	117	88.83
Esprit Telecom *	US$11.5	+0.125	900	12.25	4.875
Gruppo Formula	ITL17150		0	22600	16400
Innogenetics	US$24.625	+0.125	139056	25.625	9.875
Integr. Surg. Sys.	DEM8	-0.1	0	12.1	8.6
Lernout & Hauspie	US$43	+2.75	23258	58.625	25
Melexis	US$7.8125	-0.0625	27530	9.125	7.1875
Mercer Int'l	US$8.875		0	12.875	8.125
NTL	US$27.75	+0.125	0	29	20.5
Option Int'l	US$11.5	-0.125	72160	12.125	10.375
PixTech	US$2.375	-0.125	0	8.125	2.375
Schoeller-Bleckmann	Sch1308	-19	6828	1692	900
Topcall Int'l	Sch5898	+3	267	5898	3065
Turbodyne Technol.	US$4.08	-0.27	0	6.25	2.55

Prices for 18/12/97. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be EASDAQ offices are located in Brussels (Tel 32-2 / 227 65 20) and in London (Tel 44-171 / 499 9890).

Investors wind down for Christmas break

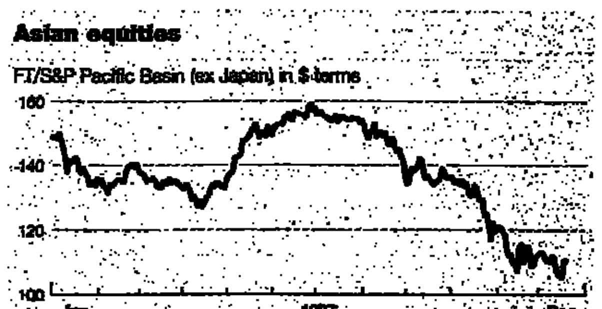
WORLD OVERVIEW

There were distinct signs yesterday that world stock markets were starting to wind down for the Christmas/new year period, *writes Philip Coggan*.

After the terms of the Japanese refinancing package dribbled out earlier in the week, the Korean election results are about the only significant unknown left to be factored into share prices.

That should allow institutional investors to indulge in their traditional end of year "window dressing" of portfolios. Fund managers often sell losers and buy winners in an attempt to make their portfolios look more impressive to investment clients.

The Bundesbank, like the US Federal Reserve earlier in the week, passed up the chance to increase interest rates.



The world's two leading central banks accordingly made just one interest rate change apiece all year, an inactive period by central banking standards.

One reason for the lack of movement may be that talk of an inflationary rebound, much heard earlier in the year, has changed into fears of deflation in the wake of the Asian crisis. Analysts are still debating which is the greater threat.

"The volatile, uncertain, financially unstable environment that has now become the norm is not the sort of world that will allow central bankers to raise interest rates," commented Robin Aspinall of National Australia Bank.

"The markets still project rising rates in every major economy; they are likely to be wrong in almost every instance."

The bears will argue, however, that a more favourable interest rate environment will not necessarily be bullish for equities.

They fear that corporate earnings will come under pressure in 1998, as Asian businesses get a competitive edge from devalued currencies, and rising wage pressures, particularly in the US, eat into profit margins.

Worries about the profit prospects for technology-related stocks continued to weigh on Wall Street yesterday, with the Nasdaq index off more than 10 points in late morning trading.

Next year's big issue for investors is whether the dramatic losses seen in Asian markets mean that the bottom has been reached.

Those contrarian investors who hope to buy on the rebound face the problem that many investors, having believed in the Asian growth story for so long, are now in a state of shock.

"Our emerging market investment strategy has been based on the premise that – despite the falls seen in most of the Asian stock markets – the conditions for a sustained rebound in the region's fortunes are not yet in place," said the team at ING Barings. "We will be retaining our underweight position."

Dow slides on uncertainty over earnings

AMERICAS

US stocks drifted lower as analysts continued to grapple with earnings estimates for the coming quarterly reporting period, *writes John Labate in New York*.

"People have gotten it into their heads that there will be a greater than expected impact from Asia, in the fourth quarter and 1998," said Arthur Hogan, senior equity trader at Morgan Stanley.

Wednesday's announcement by Minnesota Mining & Manufacturing that Asian currency and demand factors would depress fourth-quarter earnings cast a cloud over sentiment. Yesterday selling pressure hit other large multinationals. Caterpillar fell $1⅜ to $48⅞ and United Technologies lost $1⅜ to $71⅛.

By early afternoon the Dow Jones Industrial Average had lost 57.69 to 7,899.72, while the broader Standard & Poor's 500 index was down 6.22 to 959.32.

"Multinational stocks that were liked by investors six to nine months ago for their overseas exposures are now coming into problems," said Richard McCabe, chief market analyst at Merrill Lynch.

Mr McCabe noted that by midday the market's weakness was not especially broad with some 1,500 stocks declining while 1,100 advanced.

Among Dow components, Boeing slid $1 to $49⅞ after PaineWebber cut the aircraft maker's rating to "attractive".

But other Dow stocks moved higher. Eastman Kodak climbed more than 4 per cent or $2¾ to $59 after the company said it would consider further job cuts. Shares in 3M also rallied after Wednesday's steep sell-off, rising $1⅛ to $86⅛. Citicorp fell $1⅞ to $129⅞ after the company confirmed it intended to purchase AT&T's credit card operations.

Other banking shares were mostly lower. J.P. Morgan lost $1⅞ to $120⅝ and PNC Bank fell $1⅛ at $56⅞. The bond market was slightly up at midday, sending the long bond yield down to 5.965 per cent.

The technology sector moved lower as the Nasdaq composite index fell 11.81 at 1,535.56. Among the main movers were Micron Technologies, which rose more than 5 per cent to $24⅞.

Aetna came off more than 12 per cent or $9⅞ to $69⅞ after analysts at DLJ and SBC Warburg lowered the stock's rating.

TORONTO opened higher as golds continued to rally, but the rest of the market spent an uncertain morning as Wall Street moved determinedly lower. The 300 composite index was up 3.81 at 6,629.30 at noon.

Golds were the main feature of the morning with leading miners continuing to rally on the back of an improving bullion price.

Barrick put on 45 cents to C$26.80 and Placer Dome added 20 cents at C$17.75.

Banks were mixed, with the sector coming under the influence of position squaring ahead of the Christmas shutdown. Royal Bank of Canada lost 35 cents to C$76.90 but Toronto Dominion rose 20 cents to C$54.

São Paulo slips back

Leading Latin American centres mostly moved lower in the face of a dull start on Wall Street and seasonally low trading.

SAO PAULO turned tail after three straight days of gains, slipping 1.8 per cent on what dealers described as modest profit-taking. At midsession, the Bovespa index was off 179 at 9,674.

Brokers said volumes were slow with many operators squaring off positions in advance of the Christmas break.

There was also said to be some investor hesitancy ahead of Monday's options expiry.

MEXICO CITY traded narrowly in low turnover, crossing the line at midsession barely changed. The IPC index was up 0.33 at 5,112.37. Losers led gainers 17 to two with just 28 stocks traded.

Market heavyweight Telmex eased 5 centavos to 21.35 pesos. "It's a slow morning. There are no takers on either side," commented one broker.

Retail gloom hits Frankfurt

EUROPE

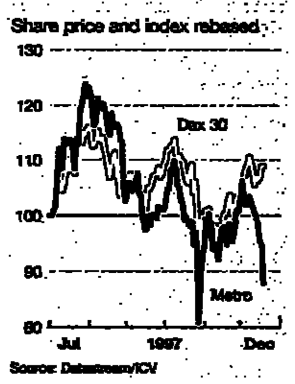
Sentiment in **FRANKFURT** was dominated by gloom about Germany's troubled retailing sector after a warning from Metro, the country's largest retail group, that profits would slide by 25 per cent this year because of poor Christmas sales.

The warning, which followed a similar statement last week by Germany's second largest retailer, Karstadt, left analysts concluding that overall retail volumes in Germany would decline in 1997, for the fourth year running.

"I can't think of any advanced economy which has experienced declining retail volumes over such a period of time," said Keith Wills, retail analyst at Goldman Sachs.

Investors took little heart from the decision of Wal-Mart of the US to acquire 21 hypermarkets from a private company.

Shares in Metro, which is expanding abroad through the purchase of the Makro cash and carry group, fell by DM5.75 to DM70.45. Karstadt lost as much as DM11 early in the day before rebounding to end DM2 higher at DM615. Troubled computer retailer Escom also lost ground, falling 2pfg to 38pfg.



The market was in a sluggish pre-Christmas mood and took little notice of the Bundesbank's decision to leave interest rates unchanged. The Xetra Dax index ended 8.35 better at 4162.92.

Daimler-Benz was in the wars again after disclosing that its Smart car, a model developed jointly with SMH of Switzerland, had failed the same "elk test" that recently derailed the launch of its A Class car. The problem will delay the Smart car's launch and cost DM300m. Daimler shares fell DM2.60 to DM124.

PARIS subsided in the final hour of trading, giving up initial gains at the sight of the early slide on Wall Street. The CAC 40 index ended 1.25 better at 2,894.50.

FTSE Actuaries Share Indices — European series

December 18

National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj	Total retn (Ecu)
FTSE Eurotop 300	984.78	+0.09	+0.88	2.29	0.00	991.95
FTSE Eurotop 100	2280.12	-0.16	-3.68	-	-	-
FTSE Eurotop 300 Regions						
300 UK	1000.76	+0.42	+4.18	3.16	0.00	1016.49
300 Ex-UK	976.26	-0.10	-1.02	1.79	0.00	978.64
300 Eurobloc	980.18	-0.11	-1.07	2.01	0.00	983.66
300 Ex-Eurobloc	1003.21	+0.23	+2.27	2.48	0.00	1013.10
FTSE Eurotop 300 Economic Groups						
Resources	938.69	-0.81	-7.70	2.93	0.00	951.75
General Industries	906.41	+0.32	+2.92	2.18	0.00	908.58
Consumer Goods	976.30	-0.01	-0.07	1.87	0.00	986.93
Services	972.50	+0.33	+3.19	2.28	0.00	979.88
Utilities	1022.04	+0.04	+0.36	2.96	0.00	1030.35
Financials	1060.73	+0.24	+2.49	2.19	0.00	1066.59

Base value 1000. More information on http://www.ftse.com. 'FTSE' and 'Footsie' are registered trade marks of the London Stock Exchange and The Financial Times. 'Eurotop' is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop indices are compiled by FTSE International. © FTSE International Limited 1997. All rights reserved.

Peugeot was a strong feature, adding FFr48.00 or 7 per cent to FFr729 on talk of significant streamlining after an announcement – from union sources – that the group planned to apply joint production to its Peugeot and Citroen operations.

The news also sparked renewed rumours about broad rationalisation within the French motor sector. Renault ended FFr4.00 higher at FFr172.3.

Promodès stood out in an otherwise dull retail sector, adding FFr80.00 to FFr2,332. Usinor rallied after recent weakness, gaining FFr1.00 to FFr83.40. Moulinex improved FFr2.00 to FFr145.5 after reporting solid interim results.

A French press report that talks between Schneider and Siemens of Germany about a high-tension power joint venture were going well helped lift Schneider FFr8.00 to FFr313.

AMSTERDAM traded quietly with most of the day's action centred on just two shares, Philips and Royal Dutch. Oil price worries gnawed away at Royal Dutch and the shares came off Fl 3.10 at Fl 100.40, but Philips attracted steady buying on a combination of management news plus broker upgrades. The AEX index ended off 7.23 at 907.53.

The announcement of five new board members boosted sentiment at Philips but the main momentum came from an upgrade from "hold" to "buy" at Dresdner Kleinwort Benson and talk that the electronics giant had been added to the Morgan Stanley focus list. The stock ended Fl 4.20 or 3.5 per cent higher at Fl 123.70.

Financials were a tad down in the mouth. ABN Amro was the day's most active blue chip, dipping 80 cents to Fl 40.90 in 4.7m shares traded. Confirmation of "initial accord" on a link with Alitalia of Italy helped support KLM, which added 90 cents at Fl 75.30.

News of Heineken's latest push into central Europe – it is buying 49 per cent of Slovakia's fifth-largest brewer – did nothing to help the shares, which dipped Fl 2.50 to Fl 348.50.

MILAN failed to motor in spite of a record day for Italian government bonds. The Mibtel index closed 31 higher at 16,206.

Generali extended yesterday's losses, falling L124 to L42,150 as investors concluded it was paying a hefty price for AMB of Germany. Banks were again in the frame, as prospects of a tie-up between IMI and San Paolo di Torino. IMI slipped L628 to L20,250 while San Paolo was L460 lower at L16,985.

Telecom Italia Mobile was in favour after Salomon Smith Barney upped its recommendation, ending L170 higher at 7,710.

MADRID was knocked by a downgrade from Morgan Stanley in market heavyweight Telefonica. The shares fell Pta125 to Pta4,500 as Morgan cut its recommendation to "outperform" from "strong buy" although the US bank said it remained very enthusiastic on the stock. Overall, the general index ended 0.89 lower at 629.04.

Written and edited by Jeffrey Brown, Jonathan Ford and Peter Hall.

SOUTH AFRICA

Golds continued to rally in Johannesburg, but the broad market turned easier with the all-share index slipping 1.2 to 6,168.8 in low turnover.

Industrials saw most of the day's selling with the index coming off 28.7 at 7,419.0. But golds stayed firm, reversing recent weakness with an index gain of 21.4 to 760.6 for a two-day advance of almost 9 per cent.

Tokyo falls back on profit-taking

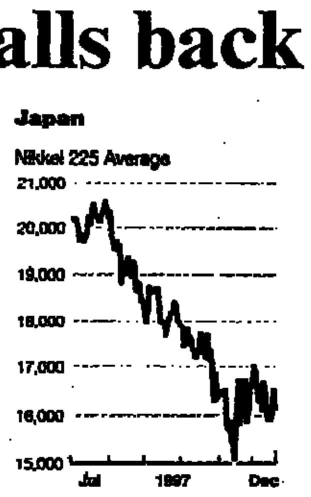
ASIA PACIFIC

Shares in **TOKYO** took back more than half of Wednesday's gains as profit-takers moved in and doubts surfaced about whether the Y2,000bn of promised tax cuts would be enough to give the economy a long-term boost, *writes Bethan Hutton in Tokyo*.

The Nikkei 225 average lost 2.3 per cent, closing down 379.42 at 16,161.64, after gaining 3.49 per cent on Wednesday. The day's trading range was 16,455.64 to 16,100.50. The broader-based Topix index dropped 15.02 to 1,212.93 while the capital-weighted Nikkei 300 fell 2.89 to 243.54.

Wednesday's surprise announcement by Ryutaro Hashimoto, the prime minister, sent shares soaring but after absorbing the news overnight, investors appear to have decided that the effects of the tax cut, for one year only, may fall short of expectations.

Traders also said that profit-taking was inevitable after any strong gains close to the end of the year. They said the Nikkei could test the 16,000 level today, with upside potential thought to be limited.



Toshoku, a Tokyo-based food trader, was the day's most actively traded share, losing more than a third of its value – down Y19 to Y33 – on speculation that it was about to collapse. The rumours were confirmed after the market closed. The company announced that it had filed for protection from creditors.

Japan Tobacco fell by its daily limit of Y100,000 to Y809,000 before closing at Y810,000, after the ruling party announced plans to increase tobacco tax next year. Sumitomo Metal Mining, suspended from trading on Wednesday after it announced a gold find in the US, closed up Y80 from Tuesday at Y500. The steel sector fell heavily – down 5.2 per cent – taking back most of Wednesday's gains.

Losers outnumbered gainers 850 to 303, with 138 unchanged. Volume slipped to 453m shares from 615m the previous day. In Osaka, the OSE fell 265.22 to 15,843.44 in volume of 52.8m shares.

TAIPEI ended lower as hopes for a cut in bank reserve ratio faded. The weighted index fell 92.15 or 1.1 per cent to 8,255.05.

Brokers said there were conflicting signals from the government and central bank over the pace of financial liberalisation. The electronics sector lost 2.4 per cent and financials 1.6 per cent.

HONG KONG traded quietly with turnover subsiding to HK$3bn. Brokers said there was little for investors to get their teeth into and that book-squaring ahead of the Christmas shutdown was already underway. Sun Hung Kai Properties came off 50 cents at HK$56.00. The Hang Seng index closed up 29.53 at 10,723.63.

KUALA LUMPUR posted gains as investors moved in on selected blue chips, with advances at Telekom and electricity utility Tenaga accounting for about two-thirds of the rise.

Telekom was up 60 cents to M$10.20 while Tenaga gained 50 cents to M$7.35. Analysts said the rises were partly caused by institutions window dressing ahead of the year-end. The composite index ended up 20.79 at 577.58.

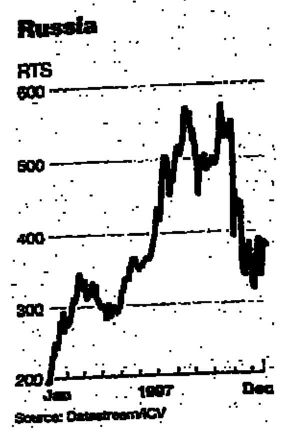
JAKARTA extended its rally for a third successive session, helped by the appearance in public of President Suharto, the first time he has been sighted since undergoing two weeks of rest on medical advice. The rupiah also gained as fears of political uncertainty faded and the composite index finished 9.7 higher at 378.39.

MANILA moved higher from the opening bell, although volume was said to be unexciting. The composite index closed up 49.19 or 2.7 per cent at 1,846.09. Philippines Long Distance Telephone added 15 pesos at 860.

EMERGING MARKET FOCUS

Moscow hopes bad luck is past

The Russian superstition that bad luck comes in threes has been richly confirmed in recent weeks as Russia's fragile market economy has been battered by a *troika* of blows.



First came the turmoil in emerging markets worldwide. The Muscovite hope that Russia would remain immune was swiftly dashed, and this autumn the previously robust Russian stock market plunged nearly 40 per cent.

Then came a fresh round of infighting between Russia's political clans. The battle weakened Anatoly Chubais, one of the masterminds of Russia's economic reform effort, and further unnerved equities.

The final hit came last week when President Boris Yeltsin retreated to a sanatorium suffering from what Kremlin aides insisted was a common cold. But the last time Mr Yeltsin was said to have come down with a "cold", in 1996, it turned out to have been a massive heart attack.

Thanks to the Kremlin's history of being economical with the truth, Moscow is abuzz with rumours about Mr Yeltsin's "real" ailment, with explanations ranging from a mild heart attack or a brain "spasm" to the more homespun theory that he has simply reverted to his old friendship with the vodka bottle.

Yet in the midst of all of this uncertainty, some of Russia's most respected economists are arguing that the stock market is poised for fresh victories next year.

The most aggressively bullish prediction came this week from Mr Chubais, one of the west's favourite Russian politicians.

Not only had Russia successfully ridden out the recent global turmoil, Mr Chubais argued, but the country might actually be strengthened by a redistribution of funds from Asia and Latin America to European emerging markets.

"It is absolutely clear that the Russian corporate securities market is undervalued," Mr Chubais said. "Moreover, a number of large mutual funds have decided to redistribute their emerging market portfolios in favour of Russia... This means that Russia could emerge from the stock exchange and financial crises in the world with some advantages."

Many western analysts agree. A recent report from Salomon Smith Barney urges investors to be overweight in Russia. Salomon says Russia is "the most attractive value play in the European emerging markets context" with "relatively inexpensive" shares with a price/earnings ratio that is around a third lower than the global emerging markets average.

Most Moscow-based bankers, who have revelled in this year's stock market boom – at one point the Russian market was sitting on gains of more than 150 per cent – are eager to believe that the good times will continue to roll next year.

But a few heretics fear the international financial storm is not yet over and warn that it could do further damage to Russia when it next blows through world markets.

Chrystia Freeland